

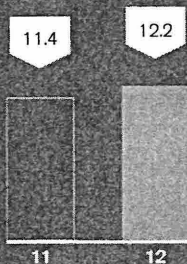
ESTTA Tracking number: **ESTTA745843**

Filing date: **05/11/2016**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91207836
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Date	05/11/2016
Attachments	Deposition of M. Dempe Exhibit 64 part 17.pdf(4797023 bytes) Deposition of M. Dempe Exhibit 64 part 18.pdf(5018272 bytes) Deposition of M. Dempe Exhibit 64 part 19.pdf(4380945 bytes) Deposition of M. Dempe Exhibit 64 part 20.pdf(5088613 bytes) Deposition of M. Dempe Exhibit 64 part 21.pdf(4859520 bytes) Deposition of M. Dempe Exhibit 64 part 22.pdf(4967634 bytes) Deposition of M. Dempe Exhibit 64 part 23(a).pdf(4197342 bytes) Deposition of M. Dempe Exhibit 64 part 23(b).pdf(2283166 bytes) Deposition of M. Dempe Exhibit 64 part 24.pdf(5493191 bytes) Deposition of M. Dempe Exhibit 64 part 25.pdf(5564050 bytes) Deposition of M. Dempe Exhibit 64 part 26.pdf(5998854 bytes)

Volvo Group sales
in Africa
SEK bn



A new Africa

The roar from the Lion Economies in Africa is becoming ever louder. In the Volvo Group, many people are listening. After several decades characterized by war, weak economic growth and a decline in productivity, developments gathered speed at the beginning of this century.

Growth boom

There are a number of explanations for the upswing in recent years. The conflicts have come to an end in many countries, and the excessive lending of the 1980s and 1990s has now been rectified in a growing number of African states. The external factors include a more accommodating international climate, with different pro-Africa initiatives, and the appearance of new economic superpowers, China and India in particular. The emerging countries are playing a particularly critical role in infrastructure financing that is essential in order to harness Africa's potential. This has helped to boost the demand for African raw materials.

For a number of African countries, the world's hunger for oil, gas, metals and precious stones has resulted in a jackpot. After 27 years of war, Angola began its journey from poverty thanks to oil exports. Between 2001 and 2010, the country's GDP grew by an average of 11.3% a year. This gave Angola a very close victory over China, in the rapid expansion league. In recent years, African countries have experienced success in turning their export revenue into investments in the future in the form of infrastructure and more diversified trade and industry. This often involves contracts with foreign companies that are given access to natural resources in return for constructing roads and railways, schools, hospitals or oil refineries.

Not everything is, however, linked to black oil and sparkling diamonds. The internet and mobile

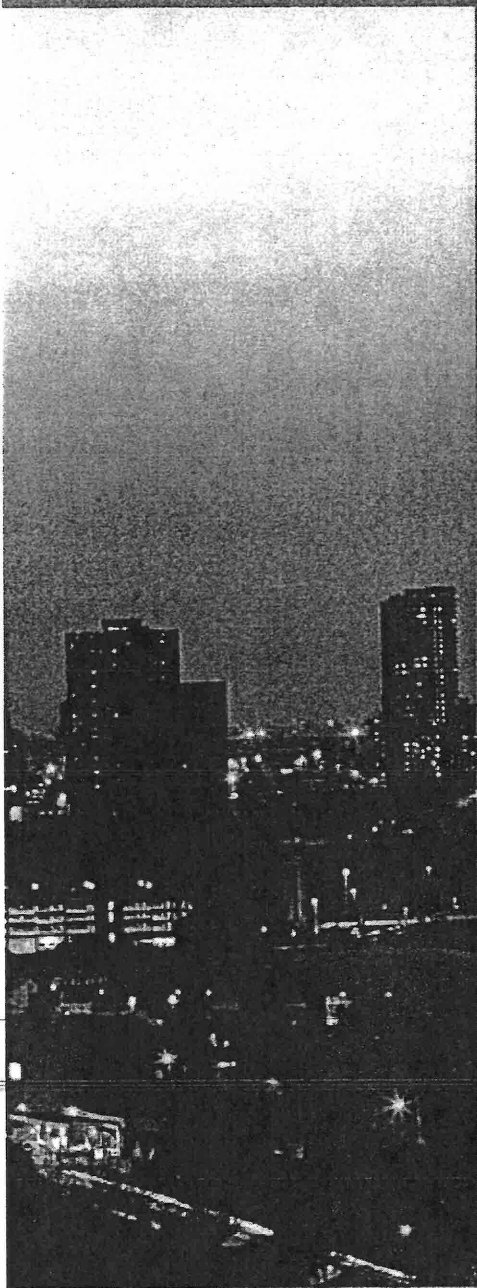
telephony have given the African farmer or businessman new opportunities to find information and do business. Industries such as tourism, banking and telecommunications have also expanded more rapidly than those based on raw materials. Taken together, all these factors have created a growing middle class which is consuming and drives growth further.

Enormous differences

There is no doubt that double-digit growth figures are good news. However, this growth has taken place from very low levels and it is distributed unequally. From a business angle, there is no point in talking about Africa as a cohesive market.

—If you are going to generalize, you can talk about three areas. North Africa has gas and oil. Provided that the political climate is stable in the future, growth is going to continue in countries such as Algeria and Libya. Unfortunately, Central Africa still has a long way to go. The poverty is still enormous. The largest potential for growth can be found in southern Africa: from Angola down to Namibia, Botswana and South Africa and then up again to Mozambique. Tanzania and Kenya, says Anders Petersson, Manager Transport Industry Analysis at Group Trucks Sales & Marketing EMEA, in response to the difficult question: Can you describe in simple terms how things look in Africa?

He is, however, quick to stress that anyone looking to sell a product in Africa should not simply study the growth figures. It is also necessary to



FOCUS AFRICA



By tradition, Renault Trucks enjoys a powerful position in North Africa, but it is also represented in many other African markets.

see how things look in reality – which immediately makes the situation more complicated.

Without roads, no trucks

If truck sales are to be possible on a large scale, a functioning road network and an industrial infrastructure are essential. Other pieces of the jigsaw include a system for financing, a haulage tradition and trained staff to service the trucks. These prerequisites exist primarily in the northern and southern parts of Africa and this is reflected in the Volvo Group's delivery figures for 2012. By tradition, Renault Trucks enjoys a strong position in North Africa, in Algeria in particular, but it is also represented in many other African markets. Volvo trucks are also sold in the north, in Morocco, for example, but the brand is largest in South Africa. South Africa is also the most important market for UD Trucks, while Mack enjoys a special position in Nigeria.

In a conference room in Lundby in Gothenburg, Lars-Erik Forsberg is talking about strategy. At the time of the interview he headed up Group Trucks Sales & Marketing EMEA's operations in Northern Africa and the Middle East, with responsibility for the Volvo, Mack and UD Trucks brands. Lars-Erik Forsberg is optimistic about the future. So optimistic, in fact that the vision for his region is described as substantial growth in business. He stresses that the distribution network is going to be totally decisive.

– We can never be larger than our local importer. We have to be perfectly synchronized and have the same vision. Having a good product is not enough. Our service network must expand so that we can keep our promises. One method involves delivering modular workshops in kits. All the importer needs to do is cast a concrete foundation. After a couple of weeks, everything is in place. We also have another product in the shape of a turn-key permanent workshop which is delivered by a Turkish company, says Lars-Erik Forsberg.

Africa is a continent that generates creativity. One example is Mack's importer in Nigeria's largest city, Lagos, who is putting together truck deals by

Truck deliveries in Africa

	2012	2011
Mack	159	387
Renault Trucks	4,258	3,480
UD Trucks	3,658	3,899
Volvo	4,117	3,240

gathering hauliers, developers and financiers around the same conference table – a local form of total transport solution.

Products for Africa, today and tomorrow

Nigeria can also serve as an illustration of the two faces of Africa. Outside Lagos, work is in progress on creating Eko Atlantic – an artificial peninsula on which a city district as large as Manhattan will rise from the sea. Three years from now, it is estimated that 25 million people will be living and working in the region. There are already more than 50 cities in Africa with populations of over one million and the urbanization process is continuing.

Jan Vandooren, Director Middle East, Africa and CIS at Volvo Buses, picks up a glossy brochure to illustrate developments.

– We delivered two Bus Rapid Transport systems prior to the Football World Cup in South Africa. This system is without question the transport solution for the mega-cities that are developing in Africa. The cost of a BRT system corresponds to just 5% of the investment in a traditional rail-bound system and it can be operational within a year after a decision is made.

At the same time, the majority of people in Africa currently live in the countryside, where the infrastructure is frequently inferior or non-existent. For Jan Vandooren, this poses a challenge.

In many parts of Africa, buses with engines at the front are still the order of the day. They have more ground clearance and can therefore be driven on roads of poorer quality. In some circumstances, they may also be easier and less expensive to service and purchase. Jan Vandooren can see similarities with the Indian market. There is also a market in Africa for buses with a European specification, but they would be best suited to long-distance transport along the transport corridors that are currently being constructed in parts of the continent.

The Chinese dominance

The sale of trucks and buses is linked to the development of an improved road network and functioning towns and cities and Johan Haglund, Vice



Volvo Group in Africa

- **Number of employees:** 1,120
- **Production:** Durban and Johannesburg.
- **Net sales:** SEK 12,168 M (11,371), 4% of Group sales
- The goal is to increase the truck operation's net sales in Africa by 25% by 2015.

Africa

- **Area:** 30,244,050 km² (the second largest continent in the world)
- **Population:** roughly 1 billion in 55 countries.
- **Large countries:** Nigeria with 152 million inhabitants, Egypt (80), Ethiopia (77), Democratic Republic of the Congo (66) and South Africa (44).

President EMEA Hub South at Volvo CE, feels that this offers huge business potential. At the same time, the real-life situation differs to some degree.

— The focal point for Volvo CE in Africa is the mining industry. This is where we are largest and where we are making the most money. There is no customer in this industry that dares to risk having machines that are out of action. If you purchase our machines, you can keep a mine operating. Chinese companies are capturing a large number of projects, but they, too, are purchasing their critical equipment from western companies. At the same time, Chinese excavators have recently started appearing.

In spite of the competition, Johan Haglund has some winning cards up his sleeve.

— After all, we own a majority of Shandong Lingong (SDLG). We are Chinese, so to speak. Historically, Chinese companies have enjoyed a strong position within wheel loaders. What we have done now is to establish a network of SDLG dealers. We also have know-how relating to distribution in Africa, which our Chinese competitors lack. Taken together, this should be a good argument for us to sell SDLG in China, to Chinese companies that are operating in Africa.

Like Jan Vandooren, Johan Haglund is eager to stress the need for products that are suitable for the African market. Products of high quality but with fewer integrated features to enhance driver comfort, for example, for which customers in Africa are not prepared to pay.

When Africa is discussed with people in different parts of the Volvo Group, Volvo CE is always mentioned with respect. They have a long history in Africa, are well positioned and close to their customers in geographical terms. This is something of which Hånnes Norrgren, Director Marketing & Sales at Volvo Penta with responsibility for Africa, is keen to take even greater advantage.

— Partnership with Volvo CE is important and it is often a good match into the bargain. However, our only chance of quickly increasing our coverage is through distributors that have the critical mass to re-invest in their operations, he says.

Engines for gensets constitute Volvo Penta's largest business sector in Africa. The manufacturing industry is expanding more rapidly than the infrastructure for electricity distribution.

— A few years ago, our sales of engines for locally manufactured gensets in South Africa rose from 50 to 2000 in the space of one year when the country found itself in an energy crisis. We are now relatively stable at approximately 500 engines a year. There are no alternatives to the diesel engine when it comes to efficiency and flexibility.

In overall terms, he describes Africa as a pure aftersales market. It is a question of offering service and parts in order to increase the number of engines in imported machines, because very few machines are actually built in Africa. Hånnes Norrgren therefore faces the same dilemma as so many others: the potential in Africa is huge, but we are still not in a position to take advantage of it.

A joint road ahead

Representatives from the different business units in the Volvo Group meet regularly at different levels to chart their common way forward in Africa. Coordination is key.

— We already have a strong position in Africa, but, if we adopt an even more coordinated approach, we can obtain both improved market coverage and more effective distribution, as Peter Karlsten, head of Group Trucks Sales & Marketing EMEA and a member of the Group's executive management team, puts it.

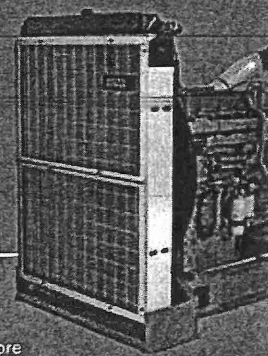
Currently, the truck operations are working together with a large number of importers in Africa. However, there are only six in which two brands share the same importer.

— So there is enormous potential to offer the same importer much more business with more brands aimed at different customer segments. This gives the importer the opportunity to invest more in his business relationship with us, in the form of an improved service network, for example. Local conditions naturally influence the best way of working, says Peter Karlsten and he goes on to underline



The focal point for Volvo CE in Africa is the mining industry. This is where they are largest and it is a profitable segment. There is no customer in this industry that dares to risk having machines that are out of action.

the fact that the Group is currently reviewing the whole of its strategy for all its truck brands. This is going to clarify how the different brands and products are going to target different customer segments. This could also include introducing trucks from our joint venture with Eicher Motors in India in the African market.



Engines for diesel-powered gensets constitute Volvo Penta's largest business sector in Africa. Industry is expanding more rapidly than the infrastructure for electricity distribution.

SIGNIFICANT EVENTS

During 2012

The divestment of Volvo Aero, increased ownership in Deutz and the launch of the new Volvo FH truck series were some of the important events in 2012.

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo held on April 4, 2012 approved the Board of Directors' motion that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Ravi Venkatesan, Lars Westerberg and Ying Yeh were reelected as members of the AB Volvo Board. In addition, Carl-Henric Svanberg was elected member of the Board and Board Chairman, replacing Louis Schweitzer who had declined reelection.

Carl-Olof By, representing AB Industrivärden, Jean-Baptiste Duzan, representing Renault s.a.s, Lars Förberg, representing Violet Partners LP, Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen and the Chairman of the Board were elected members of the Election Committee.

AB Volvo signs memorandum of understanding with Deutz

On April 5 it was announced that AB Volvo had signed a non-binding memorandum of understanding with Deutz AG with the intention to explore the potential to extend the long-term cooperation with a joint development of the next generation of medium-duty engines for off-road applications.

The memorandum of understanding also aims at analyzing the conditions for establishing a Deutz majority-owned joint-venture company in China for the production of medium-duty engines for off-road applications. The production company is intended to provide support for the Volvo Group's anticipated growth in off-road applications in Asia. Any implementation requires both companies to agree on the final terms and conditions in a binding contract.

Unfavorable court ruling in the U.S. pertaining to Volvo Penta engines

Volvo Powertrain Corporation and the U.S. Environmental Protection Agency are in a dispute pertaining to emission compliance of 8,354 model year 2005 Volvo Penta engines under a 1999 Consent Decree entered between the parties. On April 13, 2012, the U.S. District Court for the District of Columbia issued an order directing Volvo to pay a total of USD 72 M in penalties and interest. The decision has been appealed.

AB Volvo acquires shares in Deutz AG

On June 13 AB Volvo announced that it had signed an agreement under which the company was offered the opportunity to increase its shareholding in Deutz AG from 6.7% to just over 25% by acquiring a total of 22,117,693 shares from Same Deutz-Fahr Group at a price of EUR 5.88 per share, EUR 130 M in total. The transaction was completed in September and made AB Volvo the largest shareholder in Deutz AG, which since many years is a strategic partner within medium-duty engines.

AB Volvo divests Volvo Aero to British GKN for SEK 6.9 billion

On July 5 it was announced that AB Volvo divests the Group's subsidiary Volvo Aero to the British engineering company GKN for an enterprise value of SEK 6.9 billion. The transaction was completed on October 1, 2012. The transaction generated a positive effect on the Group's operating income of SEK 568 M of which SEK 254 M in the fourth quarter. The divestment reduced the Group's financial net debt by SEK 5.5 billion.

New Volvo engine for Euro 6

On July 5 Volvo Trucks presented an engine tailored for the Euro 6 environmental standards.

Nitrogen oxide emissions will drop by 77% and particulate emissions will be halved from already low levels. First off the mark is Volvo's D13 460 horsepower engine, which powers more than one-third of all Volvo trucks.

Renault Trucks Defense acquires French manufacturer Panhard

On July 26 it was announced that Renault Trucks Defense, which is included in the Volvo Group's Governmental Sales business area, acquires the French company Panhard, which specializes in manufacturing light transport vehicles adapted for defense operations. In 2011, Panhard reported sales of EUR 81 M and operating profit amounted to EUR 9.4 M. The transaction was finalized in October 2012.

New Volvo FH launched

On September 5, Volvo introduced its new Volvo FH series. The new Volvo FH is pushing the envelope for what a premium truck can offer. The Volvo FH is a truck built with the driver in mind and with the focus on improving the haulage firm's profitability.

Volvo Group invests in Russia

On September 13, the Volvo Group announced that it will invest SEK 783 M in a new facility for the production of cabs at the plant in Kaluga, Russia. The facility, which is expected to become operational in 2014, will manufacture cabs for the Volvo and Renault Trucks brands with a total annual capacity of 15,000 cabs.

Volvo Group announced new truck strategy to achieve profitability improvement

The new strategy, which is an important step for the Group towards achieving the objective to improve the operating margin by 3 percentage

points, was presented in detail at the Capital Market Day on September 25.

Volvo Buses to consolidate the manufacture of complete buses in Europe

On October 3, Volvo Buses announced plans to concentrate its European production of complete buses to the main plant in Wrocław, Poland. Production at the plant in Sjöflä, Sweden, will be terminated at end June 2013.

New organization for the truck dealer networks in Europe, the Middle East and Africa

On October 10, the Volvo Group announced that it as of January 1, 2013 introduces a new organization for its truck dealer networks in Europe, the Middle East and Africa (EMEA). The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products in line with the new truck strategy.

Full lineup of Volvo Group trucks in the US earns 2014 greenhouse gas certification

On December 12, 2012 the Volvo Group announced that the US Environmental Protection Agency (EPA) and National Highway Traffic Safety Administration (NHTSA) had certified all Volvo Group truck models in the US, both Mack and Volvo branded, in accordance with 2014 fuel efficiency and greenhouse gas regulations.

Renault s.a.s. divests entire holding in AB Volvo

On December 13, 2012, AB Volvo received a request for the conversion of 110,048,945 Series A shares to Series B shares. Furthermore, AB Volvo's largest shareholder, Renault s.a.s., announced that the company had divested all of its shares in AB Volvo through the sales of

138,604,945 Series A shares on the stock market. In connection with Renault's divestment, Industrivärden increased its holding and at year-end was the largest owner with 6.5% of the outstanding number of shares (19.5% of the votes). Norges Bank Investment Management also increased its holding and at year-end was the second largest owner based on capital with 4.9% of the outstanding number of shares (5.1% of the votes).

Consolidation of the Volvo Group industrial operation in Japan

On January 11, 2013 the Volvo Group announced that it had decided to consolidate its industrial operation in Japan in order to improve the overall efficiency. In May 2013 the Ota remanufacturing plant will be closed and the operation moved to Ageo, the main plant in Japan. The project also includes cleaning of the land, demolishing of old and outdated buildings as well as moving or phasing out equipment for old products. In total, costs corresponding to SEK 280 M related to these activities were recorded in the fourth quarter of 2012, affecting the truck segment.

Events after balance sheet date

Strategic alliance with Chinese company Dongfeng Motor Group

On January 26, 2013 AB Volvo announced that it had signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45% of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium- and heavy-duty commercial vehicles business. At completion of the transaction, the Volvo Group will become the world's largest manufacturer of heavy-duty trucks. Completion of the transaction is subject to certain conditions, including the approval of relevant

anti-trust agencies and Chinese authorities. The purchase consideration amounts to RMB 5.6 billion. The ambition is to complete the transaction as soon as possible and completion is expected to take place within approximately 12 months from signing.

Detailed information about the events is available at www.volvogroup.com

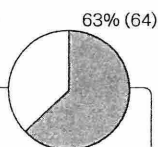
» Volvo has issued a corporate governance report which is separate from the annual report and which is found on pages 74-88.

TRUCKS

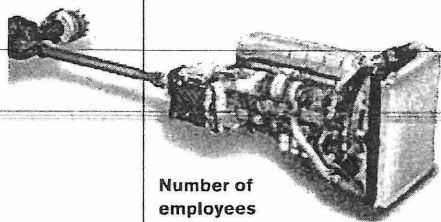
Weaker markets and lower earnings

During 2012 market conditions varied between different parts of the world. In Europe, South America and Asia truck markets weakened while North America showed growth.

Share of Group net sales



The truck operation's product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution.



Number of employees
61,300

Position on world market

The Volvo Group is one of the world's largest manufacturers of heavy-duty trucks.

Brands

Eicher, Mack, Renault Trucks, UD Trucks and Volvo.

Demand in Europe slowed down gradually during the year while the development in North America was characterized by a strong first half and a weaker second half of the year. In Brazil demand recovered towards the end of the year. The Japanese market weakened during the second half of the year after governmental incentives to buy new, environmentally adapted trucks had run out in July.

Weakness in many markets

In 2012, the heavy-duty truck market in Europe 28 (EU minus Bulgaria plus Norway and Switzerland) reached 221,000 trucks, down by 9% compared with 2011. Given the macro-economic development it is difficult to assess the total market for heavy-duty trucks in Europe 29 for 2013. The current estimate is that the market will reach a level of about 230,000 heavy-duty trucks.

In 2012, the total North American retail market for heavy-duty trucks increased by 15% to 249,562 vehicles, compared with 216,080 in 2011. For 2013 the total market is difficult to assess, but it is expected to be at about the 2012 level of 250,000 heavy-duty trucks.

In 2012, the Brazilian market decreased by 22% to 87,430 trucks compared with 111,471 trucks in 2011. The total Brazilian market for heavy-duty trucks is expected to increase and reach a level of about 105,000 trucks in 2013.

In Japan the total market for heavy-duty trucks in 2012 rose by 28% to 31,800 vehicles (24,800). For 2013, the total Japanese market for heavy-duty trucks is expected to increase to about 35,000 trucks.

In India, the total 2012 market for heavy-duty trucks declined by 18% to 195,140 trucks (237,329).

In general the Volvo Group maintained its market positions, with the exception of Japan. In Europe the combined market share for heavy-duty trucks amounted to 25.7% (26.3) and in North America the combined market share was 18.3% (18.2). In Brazil market share increased to 18.2% (17.1) while it decreased to 17.5% (20.1) in Japan. In India the market share for Eicher amounted to 31.4% (30.5) in the medium-duty segment and to 3.9% (3.1) in the heavy-duty segment.

Lower earnings

In 2012, net sales in the truck operations decreased by 3% to SEK 192,283 M (198,920) after a weak second half of the year. Operating

income decreased to SEK 10,216 M (18,227), while the operating margin was 5.3% (9.2).

The lower operating income was a result of lower sales and low capacity utilization during the second half of the year as well as restructuring costs. Profitability was also affected by the high investment pace in research and development for the upcoming comprehensive product renewal and related launch costs in sales, production and aftermarket support. Among the projects are the new Volvo FH series, a new Renault Trucks range, a new range of trucks in the lower price segments in emerging markets, a new medium-duty engine range and research and development ahead of the new emission legislation Euro 6.

New products

On July 5, Volvo Trucks presented an engine tailored for the Euro 6 environmental standards. Nitrogen oxide emissions will drop by 77% and particulate emissions will be halved from already low levels. First off the mark is Volvo's D13 460 hp engine, which powers more than one-third of all Volvo trucks.

A completely new generation of Volvo FH was presented to the public in early September through parallel launches in some of the most important markets in Europe. It was also displayed at the automotive fair in Hannover where it received very positive reviews. The advanced technology of the new Volvo FH will create a new platform for strengthening Volvo Trucks' competitiveness. Production will start in the spring of 2013.

In December it was announced that the full lineup of Volvo Group truck models in the US had been certified according to the 2014 greenhouse gas regulations.

New truck strategy and reorganization in EMEA

The new truck strategy, which is an important part of the goal to improve the operating margin by 3 percentage points, is described in detail starting on page 12.

On January 1, 2013, the Volvo Group introduced a new organization for its truck dealer networks in Europe, the Middle East and Africa (EMEA). Implementation will be carried out during the year. The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products in line with the new strategy for the truck operation.

Net sales by market

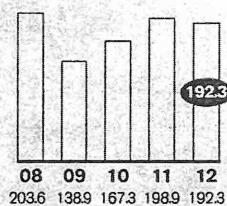
SEK M	2012	2011
Europe	76,365	83,451
North America	42,650	37,042
South America	21,172	26,847
Asia	36,531	37,840
Other markets	15,565	13,741
Total	192,283	198,920

Deliveries by market

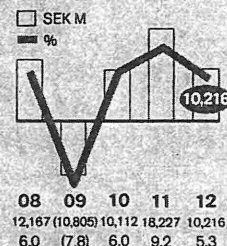
Number of trucks	2012	2011
Europe	84,355	95,113
North America	47,806	42,613
South America	23,443	29,274
Asia	51,514	56,165
Other markets	16,899	15,226
Total	224,017	238,391

Net sales

SEK bn



Operating income (loss) and operating margin

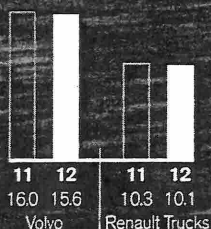


Continued product renewal

Volvo VM

The Volvo VM is a truck developed specifically for the South American market, where it is used for regional transports and city distribution.

Market shares in Europe, heavy-duty trucks



Market shares in North America, heavy-duty trucks



Market shares in Japan, heavy-duty trucks

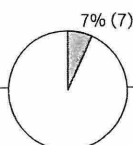


BUSES

Weak market development and lower volumes

The global market for buses declined in 2012. Sales for Volvo Buses fell and profitability declined.

Share of Group net sales

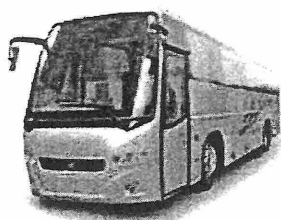


Buses offers complete buses and chassis within city buses, intercity buses and coaches as well as services within vehicle service, vehicle diagnostics and traffic information.

Number of employees
7,500

Position on world market
The business area is one of the world's largest producers of buses.

Brands
Volvo, Prevost, Nova and Sunwin.



Volvo Buses is one of the world's leading manufacturers of buses and bus chassis. The product program comprises complete transport solutions, city buses, intercity buses and coaches, as well as services in financing, vehicle service, vehicle diagnostics and traffic information. Volvo Buses has sales in 85 countries and one of the industry's strongest service networks, with more than 1,500 dealerships and workshops worldwide. Production facilities are found in Europe, North America, South America and Asia.

Lower fuel consumption and emissions

During 2012, Volvo Buses presented a number of new products, including a program of city buses, intercity buses and coaches for the coming European emission requirements Euro 6. The new buses generate significantly lower emissions of nitrogen oxide and particles, while improving both fuel economy and climate impact, compared with current vehicles. Two of the three new engines included in the program can be driven on bio-diesel. Sales will commence during the second half of 2013.

In India, the product program was increased with three new models, including the Volvo 9100 coach, which will provide Volvo Buses with good opportunities to expand in a new, key segment. At the same time, the expansion of the company's industrial capacity in India was intensified.

Increased sales of hybrid buses

Volvo Buses is world-leading in hybrid buses and has sold a total of nearly 1,000 vehicles to customers in 20 countries. In 2012, hybrid buses were sold to cities including Curitiba, Hamburg and Gothenburg. The most recent model, the Volvo 7900 Hybrid, has up to 39% lower fuel consumption and climate impact than corresponding diesel buses. During the year, a Volvo 7900 Hybrid articulated bus was introduced, which meant an important strengthening of the hybrid program. From 2014, all low-floor buses sold by Volvo Buses in Europe will be hybrid buses. To satisfy the increasing global demand, Volvo Buses has also started the manufacturing of hybrid bus chassis in Brazil. The first 30 Brazilian-manufactured hybrid buses were put in service in Curitiba in September 2012.

In parallel, the business area continued to develop the next generation of hybrid buses – so called plug-in hybrids. The technology means that the bus batteries can be charged directly from the electricity mains and that the bus can operate silently and exhaust-free longer distances

on electricity alone. Diesel consumption and climate impact emission can be reduced by up to 75%, compared with comparable diesel-driven buses. Field tests using three plug-in hybrids will commence in Gothenburg in spring 2013.

In China, Volvo Buses is a driving force in electro-mobility, partly through the partnership in the bus manufacturer Sunwin Bus, one of the world's largest manufacturers of fully electric buses, partly through a newly started company for hybrid and electrical drive lines, Shanghai Green Bus Drive System. Sunwin Bus delivered 413 fully electric buses during the year, which made the company the leader in China and a world-leading supplier of fully electric buses over 10 meters in 2012.

Positive reception for new telematic system

Volvo Buses' new telematic system, which was presented in 2011, has been positively received in the market and is now being used in over 20 countries. Volvo Bus Telematics provides bus operators with better control of the vehicle's fuel consumption and the opportunity to adapt maintenance to exact requirements. Measures that can generate fuel savings of approximately 10%. Volvo's hybrid buses are now equipped with the Volvo Bus Telematics hardware.

Fewer deliveries and lower order intake

With the exception of China and India, the global bus market declined in 2012. Volvo Buses delivered 10,678 buses and bus chassis (12,786). At the same time, Volvo Buses' market share in Europe rose to 13%, thanks to sales of hybrid buses. Markets shares were also strengthened in North America and South America. The total order intake was also lower for 2012 than in the preceding year. However, several important orders were signed during the year, for example, 460 front-engine buses were sold to Belo Horizonte, Brazil – a strategic breakthrough in a new segment – and 475 Nova hybrid buses to Quebec, Canada.

Due to lower volumes and higher pressure on prices, Volvo Buses will concentrate manufacturing of complete buses in Europe to the company's production facilities in Wroclaw, Poland. This means that manufacturing at Volvo Buses in Säfte, Sweden, will discontinue mid-2013.

Sales and earnings fell

During 2012, net sales fell to SEK 20,295 M (21,823). Operating income declined to SEK 51 M (1,114) and the operating margin decreased to 0.3% (5.1) due to low volumes, a negative market mix and low capacity utilization.

Net sales by market

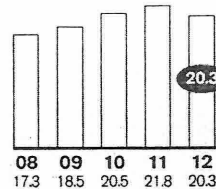
SEK M	2012	2011
Europe	6,200	6,631
North America	6,675	7,532
South America	2,794	2,715
Asia	2,853	2,953
Other markets	1,774	1,992
Total	20,295	21,823

Deliveries by market

Number of buses	2012	2011
Europe	2,491	2,695
North America	1,826	3,014
South America	2,560	2,620
Asia	2,945	3,417
Other markets	856	1,040
Total	10,678	12,786

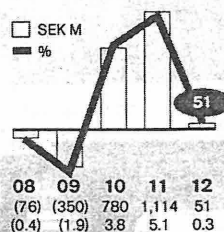
Net sales

SEK bn



Operating income (loss) and operating margin

□ SEK M
■ %



The right way in city traffic

Success for Volvo Hybrids

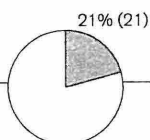
Volvo Buses hybrids are successful around the world thanks to the combination of environmental performance, drivability, fuel economy and reliability. On the photo is one of Volvo's hybrid buses in operation in Mexico City.

CONSTRUCTION EQUIPMENT

Continued investments in growth

Celebrating a heritage that dates back 180 years, Volvo Construction Equipment (Volvo CE) is one of the largest and arguably the oldest global producer of products and services for the construction, extraction, waste processing and materials handling industries.

Share of Group net sales

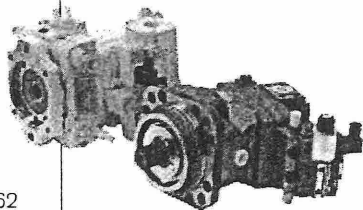


Volvo CE manufactures equipment for construction applications and related industries.

Number of employees
14,800

Position on world market
Volvo CE is the world's leading manufacturer of articulated haulers and one of the world's leading manufacturers of wheel loaders, excavators, road development machines and compact construction equipment.

Brands
Volvo and SDLG (Lingong).



Following a comprehensive product renewal program that has seen over 100 new products launched in the last two years, Volvo CE offers a modern fleet of excavators, haulers, wheel loaders and a range of smaller equipment such as backhoe and skidsteer loaders. The road machinery range includes graders, compactors and pavers. Its Chinese-built range of SDLG branded products includes excavators and wheel loaders.

Volvo CE equipment is distributed to customers through a global network of independent and Volvo-owned dealerships. SDLG branded products are distributed through separate sales channels. The offering also includes services such as customer support agreements, attachments, financing, leasing and used equipment sales.

Market turbulence

Measured in units sold, the total European market for heavy, compact and road machinery equipment shrank by 4% compared to 2011, while Asia (excluding China) increased by 11% and demand in China itself fell by a significant 37%. Bucking the trend however were North and South America, who saw market growth during 2012 of 23% and 6% respectively.

Lower economic activity and the uncertainty about the future impacted customers' willingness to invest in new equipment during 2012. As a consequence Volvo CE reacted quickly to the slowing global market, cutting production in its facilities and reducing inventories throughout the supply chain. During the year the company sold 78,500 machines, compared with 84,000 in 2011.

In 2012, net sales were flat at SEK 63,558 M (63,500). Operating income decreased to SEK 5,773 M (6,812) and operating margin was 9.1% (10.7). After a strong first half of the year, sales and earnings during the second half were negatively impacted by much lower volumes and a negative product mix as well as lower activity in the global mining industry affecting sales of larger and more profitable products. Low capacity utilization also affected profitability.

Investing in new products

At the Intermat exhibition in France in April, Volvo CE launched 60 new products. These machines, in addition to a further 55 new models introduced in 2011, represents the most fundamental overhaul of the company's product portfolio ever. On show in Paris were the new D-Series

excavators in the 13 to 25 ton classes, two short swing excavators and four new models of EW wheeled excavators in the 14 to 21 ton classes.

The new G-Series wheel loaders also featured prominently as did the European launch of the innovative range of C-Series skid steer and tracked loaders. Under the theme 'Discover a new way' Volvo CE's also showcased its new road construction machinery.

Meeting the divergent needs of local markets around the world, new product introductions are designed to meet a broader audience, with a host of new products designed to meet the specific requirements of customers in Asia and other international markets.

Production and distribution

2012 saw the roll out of the latest phase of the company's factory and distribution investment program. Russia featured in both aspects, with excavator production set to begin in 2013 at a new factory in Kaluga, while the dealer network in Russia is set to double to 90 locations by 2015. There were also capacity and product expansion programs ongoing in India, Brazil, China and the US. In Bangalore, India, a new factory was inaugurated during 2012 to make excavators alongside the existing road machinery already produced at the facility.

In the Chinese city of Jinan, meanwhile, a Technology Centre is under construction that will, when completed in June 2013, employ up to 200 engineers to design products and components primarily for emerging markets.

In May a ground breaking ceremony was held on the USD 100 million expansion of Volvo CE's facility in Shippensburg, Pennsylvania, USA. When completed it will create a new Americas headquarters, demonstration center and the ability to localize production of larger machines.

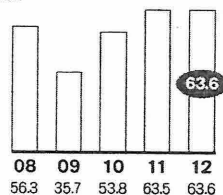
Industry recognitions

The company picked up a number of important honours for its innovative products during the year. Out of a field of more than 80 entries from leading manufacturers, Volvo CE scooped a gold prize at this year's Intermat 2012 Innovation Award for its revolutionary On Board Weighing system, designed for its F-Series Full Suspension articulated haulers. This allows complete payload management, giving access to data such as total transported load in tons, tons transported per liter of fuel and number of cycles.

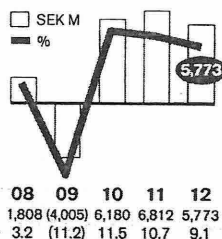
Net sales by market

SEK M	2012	2011
Europe	16,518	17,765
North America	12,027	7,829
South America	3,788	4,163
Asia	27,033	29,999
Other markets	4,192	3,745
Total	63,558	63,500

Net sales SEK bn



Operating Income (loss) and operating margin



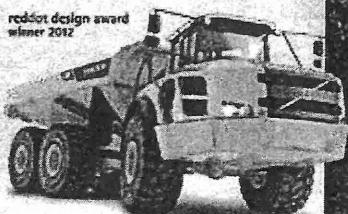
Building for the future

Red Dot Design Award

For the second year in a row, Volvo CE was honored by the prestigious red dot design awards for its outstanding industrial design. In 2012 Volvo CE received the jury's highest honor for its A40F articulated hauler – the red dot best of the best award. This award is presented for groundbreaking design and is the top prize, reserved for the leading products in each category.



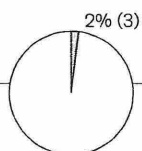
reddot design award
winner 2012



VOLVO PENTA

Good profitability despite weak demand

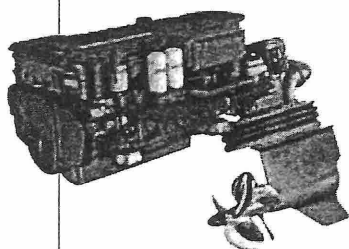
Volvo Penta contributes significant synergies and economies of scale to the Volvo Group's total diesel engine manufacturing. Approximately 10% of the total volumes in the Group's diesel-engine plants in Europe and more than half of the Group's global volumes of 16-liter engines are delivered to Volvo Penta's customers.

Share of Group net sales

Volvo Penta provides engines and power systems for leisure and commercial boats, as well as for industrial applications such as power generation and container trucks.

Number of employees
1,400**Position on world market**

Volvo Penta is the world's largest producer of diesel engines for leisure boats and a leading, independent producer of industrial engines.



The Industrial business segment is the part of Volvo Penta's operation that generates the largest volumes based on the Volvo Group's diesel platforms. Volvo Penta's product range in the Industrial segment comprises high-technological diesel engines for industrial applications, for example, power generation, cranes, mining vehicles and container handling equipment. With unique performance, operating and environmental features, Volvo Penta's industrial engines create strengthened competitiveness for such world-leading customers as Sandvik, Cargotec and SDMO. By utilizing the strength of the Volvo Group's combined service offering, Volvo Penta is also able to offer efficient support in the form of global service and aftermarket services.

Within the Marine Commercial business segment, Volvo Penta delivers diesel engines for use under the toughest possible offshore conditions. Coast guards and sea-rescue organizations, ferry companies, port authorities and shipyards worldwide install Volvo Penta's reliable engines in boats for sea rescue, patrol, passenger transport, security and maintaining offshore wind turbines.

Within the Marine Leisure business segment, Volvo Penta delivers diesel engines, gasoline engines and complete drive systems for most of the leading boat brands in the industry, for example, Fairline, Sunseeker and Princess of the UK, Jeanneau/Beneteau of France, Bavaria of Germany and Intermarine of Brazil.

Using innovative, technical solutions for boats, Volvo Penta creates significant advantages for customers in the form of lower fuel consumption, simpler maneuvering and reduced installation time. With joystick maneuvering, sophisticated communication and navigation equipment and fully integrated drive system, Volvo Penta is quickly moving toward delivering complete boat-driver environments, with a strong focus on comfort and user-friendliness.

Volvo Penta's marine customers have access to one of the world's strongest offering of aftermarket services and a global service and dealership organization with approximately 4,000 dealerships worldwide.

Total market

The total market for industrial engines primarily in Europe, but also North America, was weak during the year due to the continued decline in the global economy. The major manufacturers of equipment and industrial vehicles were forced to

successively reduce production as a result of weaker demand. A slightly stronger trend in China and the rest of Asia during the first half of the year weakened toward the end of the year due to the global financial turmoil.

The total market for marine diesel engines was largely unchanged, compared with the weak trend in recent years. European boat sales were negatively impacted by austerity packages and financial restrictions in mainly Southern Europe. In Italy, traditionally Volvo Penta's largest marine market, sales in many boat segments are currently about 70–80% lower than a few years ago.

In North America, sales of marine diesel engines and gasoline engines rose during the year as a result of the continued increased demand for leisure boats in the US, but volumes still remained low compared with the peak years.

Earnings trend

Total sales amounted to SEK 7,631 M, compared with SEK 8,458 M in 2011. Operating income amounted to SEK 541 M, compared with SEK 825M in the preceding year. The operating margin was 7.1% (9.8). Earnings were negatively impacted mainly by lower sales and an unfavorable product mix.

New products

Using aggressive investments in product development, Volvo Penta has created a modern and highly competitive product program for industrial engines in recent years. With the SCR technology, well-proven by the Volvo Group, the industrial program meets the emission legislations for coming years, while Volvo Penta is able to offer high fuel efficiency and installation benefits.

During the year, Volvo Penta's Tier4i-approved 13-liter engine received important North American mining certifications. These mining certificates take into account the amount of emissions from the engine and make calculations based on the ventilation rate. The lower the ventilation rate, the more cost-efficient mining operations can be conducted and here, Volvo Penta's SCR technology has demonstrated major competitive advantages.

On the marine side, Volvo Penta launched the V8-380 for leisure boats during the year. This state-of-the-art gasoline engine at 380 horsepower has been awarded and attracted major attention within the marine industry, not least thanks to good environmental features and performance.

Net sales by market

SEK M	2012	2011
Europe	3,620	4,274
North America	1,486	1,379
South America	306	335
Asia	1,867	2,130
Other markets	352	341
Total	7,631	8,458

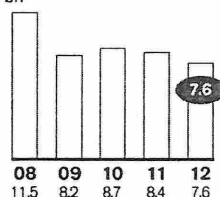
Engine volumes

No. of units	2012	2011
Marine engines ¹	17,240	20,074
Industrial engines	17,584	21,137
Total	34,824	41,211

¹ Excluding outboard engines.

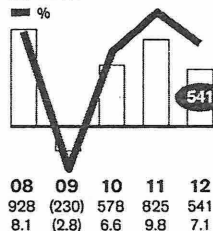
Net sales

SEK bn



Operating income (loss) and operating margin

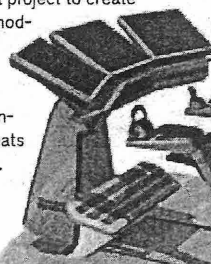
□ SEK M
■ %



Saves fuel

Driver environment of the future

The driver of a passenger car starts the vehicle's engine, electricity system and instruments at a mere push of a button. In the boat world, it is often not as simple – as yet. However, Volvo Penta currently has an advanced development project to create integrated, module-based and more user friendly driver environments for boats of the future.

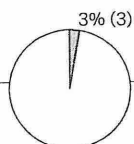


VOLVO FINANCIAL SERVICES

Profitable growth

Volvo Financial Services (VFS) supports the Volvo Group product range with expert financial services by delivering integrated, competitive financial solutions that meet customer and dealer needs.

Share of Group net sales



Conducts operations in customer and dealer financing.

Number of employees
1,400

Position on world market

Volvo Financial Services operates exclusively to provide finance and leasing solutions to customers and distributors of Volvo Group products, thus enhancing the sales process and the competitiveness of the Group product offering.



By developing long-term relationships with customers and dealers, VFS seeks to establish a number one market position for the financing of Volvo Group products wherever VFS operates. When customers choose a vehicle or equipment supplier, the availability of financial solutions is an important factor. Customers desire total transport solutions that enable them to work more efficiently while maximizing profitability and reliability.

VFS creates value for Volvo Group customers by providing solutions including customer financing and leasing, dealer financing and other fee-based products such as insurance. Financial services are delivered to customers through VFS in conjunction with dealers of Volvo Group products, allowing customers to enjoy the benefits of a convenient, one stop-shop experience.

Good profitability levels

Although global economies and financial markets continued to be characterized by uncertainty and slow movement during 2012, VFS continued to achieve good profitability levels and growth while at the same time improving credit portfolio performance. Customer repayment patterns improved, which resulted in continued reductions in customer delinquencies, defaults and reposessions. During the year, VFS also continued to reduce inventories of repossessed units through good, coordinated remarketing activities with the other business areas.

In markets where VFS financing is offered, market penetration and financing volumes were strong in 2012. Through a disciplined approach to balancing new business development with risk and cost control, VFS managed its portfolio in a good way while growing its operations and supporting Volvo Group sales with historically high levels of finance market penetration of 27%.

Market development

During 2012, VFS provided financial services in 40 markets around the globe. In support of these offerings, VFS continued to strengthen its services through operational consolidation, process standardization and systems harmonization. These activities have enabled VFS to capitalize on profitable growth opportunities with scalable business platforms that boost efficiencies while improving service levels.

The demand for VFS products in 2012 was good and the global VFS credit portfolio reached historically high levels. In the Americas, Brazil rebounded well after a short downturn during Q3 and the US and Canadian credit portfolios continued to grow and perform well throughout the year. In EMEA (Europe, Middle East and Africa), the market remained soft but the VFS portfolio grew nonetheless and the performance of the credit portfolio improved steadily throughout the year. In APAC (Asia Pacific), the slowdown in China experienced towards the latter half of the year negatively impacted VFS growth rates in that country. However, portfolio performance remained good in China during the year even in light of the weakening economic conditions. In 2012, VFS continued to serve the markets of South Africa, India and Indonesia with third party finance alliances.

Customer finance operations

Total new financing volume in 2012 amounted to SEK 46.6 billion (44.8). Adjusted for changes in exchange rates, new business volume increased by 5.3% compared to 2011 as a result of increased penetration levels. In total, 50,994 new Volvo Group vehicles and machines (49,757) were financed during the year. In the markets where financing is offered, the average penetration rate was 27% (25).

As of December 31, 2012, the net credit portfolio amounted to SEK 99,690 M (94,275). The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information see note 15 to the Consolidated financial statements.

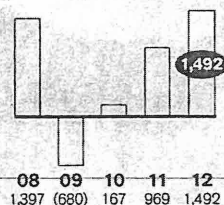
The operating income for the year amounted to SEK 1,492 M compared to SEK 969 M in the previous year. Return on shareholders' equity was 12.5% (7.3). The equity ratio at the end of the year was 8.1% (9.1). The improvement in profitability is driven mainly by higher earning assets and good margins. During the year, credit provision expenses amounted to SEK 640 M (682) while write-offs of SEK 577 M (804) were recorded. The write-off ratio for 2012 was 0.58% (0.93). At the end of December 31, 2012, credit reserves were 1.23% (1.33) of the credit portfolio.

Adds value

Strengthens the relationship with customers

VFS supplies financial services and accompanying service to Volvo Group customers. Together with the other business areas, integrated solutions are offered which add value to both customers and the dealer network.

Operating income (loss) SEK M

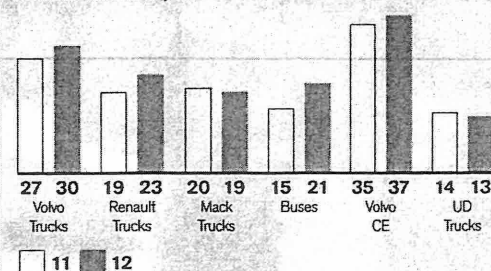


Distribution of credit portfolio



- Volvo Trucks 43%
- Volvo CE 29%
- Renault Trucks 11%
- Mack Trucks 9%
- Buses 5%
- UD Trucks 3%

Penetration rate¹, %



¹ Share of unit sales financed by Volvo Financial Services in relation to total number units sold by the Volvo Group in markets where financial services are offered.

FINANCIAL MANAGEMENT

Balancing the requirements of different stakeholders

The objectives of the financial management in the Volvo Group is to assure shareholders long-term attractive and stable total return and debt providers the financial strength and flexibility to secure proceeds and repayment.

A long-term competitive market position requires access to capital to be able to invest and grow the business. The financial management secures that the capital is used in the best possible way through well-defined ratios and objectives for the Industrial Operations as well as for the Customer Finance Operations. The objectives on net sales growth and operating margins for the Industrial Operations and return on equity for the Customer Finance Operations secure the return requirements from shareholders. The restrictions on net debt to equity for the Industrial Operations and equity ratio for the Customer Finance Operations are to secure financial stability and flexibility for debt providers.

Steering principles to ensure financial flexibility over the business cycle

To ensure financial stability and flexibility throughout the business cycle the Volvo Group holds a strong liquidity position. Besides cash and marketable securities the liquidity position is also built up of committed credit facilities. The funding and lending is in local currency and the cus-

tomers' finance portfolio is matched both from an interest and a liquidity risk perspective.

Diversified funding sources give flexibility and support the global presence

The Volvo Group has a central portfolio management of all financial assets and liabilities, funding operations and cash management through the internal bank, Volvo Treasury. The liability portfolio is separated into two portfolios, one for Industrial Operations and one for Customer Finance, to correspond to the needs in the different operations.

Volvo Treasury is increasing the possibility to access capital markets at all time through diversified funding sources. Furthermore, the Volvo Group global presence is supported by market programs on all major debt capital markets in the world. Besides the access to capital markets around the world, the Volvo Group uses different instruments, such as bilateral bank funding, corporate bonds and certificates, agency funding as well as securitization of assets in the Customer Finance portfolio. An increasingly important part of the treasury work is also to

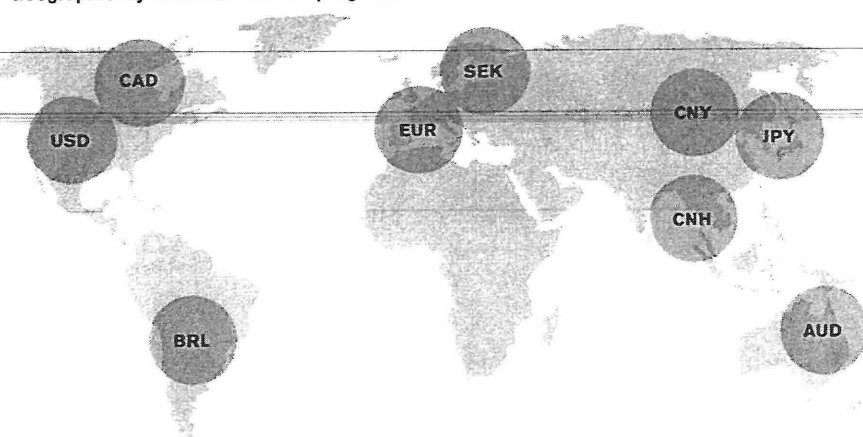
manage increased funding needs in new growth markets for the Group.

A strong and stable credit rating is important for an industrial company

Being a large issuer with a growing customer financing business, it is critical to have a strong and stable credit rating. The level of the credit rating is not only important for debt investors but also a number of other stakeholders when it comes to create long lasting relationships. A strong credit rating has a positive effect on the ability to attract and finance customers and on the trust from suppliers.

The Volvo Group has contractual relations with two global Credit Rating Agencies (CRAs) for solicited credit ratings; Moody's Investors Service and Standard & Poor's Rating Services. The credit rating levels from both CRAs have been unchanged during 2012. There are also agreements with CRAs in Canada and Japan for local credit ratings. The CRAs evaluate the Volvo Group future ability to repay debt. A strong credit rating gives access to more funding sources and lower cost of funds.

Geographically diversified market programs



Credit rating at February 21, 2013

	Short-term	Long-term
Moody's	P-2	Baa2, stable
Standard & Poor's	A2	BBB, stable
DBRS (Canada)	R-2 (high)	-
R&I (Japan)	a-1	A, stable

Volvo Group liquidity position 2012

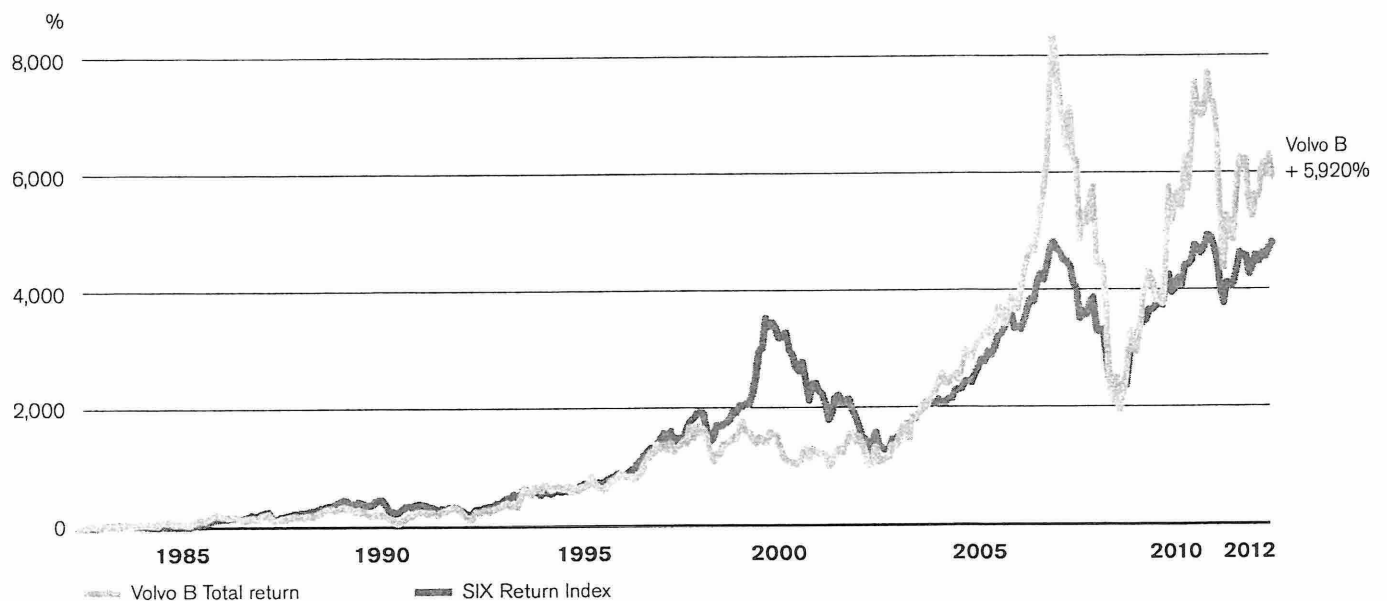
SEK bn		
60		5.5
40	27.6	
20	28.9	
0		
	Cash and marketable securities	Revolving credit facility
		Short-term committed facilities

SHAREHOLDER VALUE

Long-term shareholder value

The Volvo Group strives to create long-term value for its shareholders.

Accumulated total return



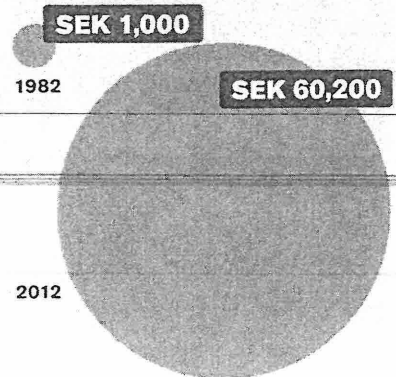
The Volvo Group's origins can be traced to 1927, when the first serial produced Volvo car rolled out of the factory in Gothenburg, Sweden. The first serial produced truck saw the light of day in 1928 and was an immediate success. In 1935, AB Volvo was listed on the Stockholm Stock Exchange. All through its history, the Volvo Group has strived to create long-term value for its shareholders.

The graph shows the total return for the Volvo B share, measured as the share price development

with all dividends re-invested, since December 30, 1982, which is as far back as the comparison index, SIX Return Index, stretches. SIX Return Index measures the total return for the Stockholm Stock Exchange as whole.

The graph shows that SEK 1,000 invested in the Volvo B-share in 1982 had grown to SEK 60,200 at the end of 2012, under the condition that all dividends have been reinvested in Volvo B shares.

SEK 1,000 invested in Volvo B shares on 30 december 1982, was worth SEK 60,200 at the end of 2012.



THE SHARE

The most traded share in Stockholm

In spite of the slowdown in the economy, many of the world's leading stock markets had a positive development in 2012. The Volvo share also had a positive development.

The Volvo share is listed on the Nasdaq OMX Nordic Exchange in Sweden. One A share carries one vote at Annual General Meetings and one B share carries one tenth of a vote. Dividends are the same for both classes of shares. The A share is traded under the ticker code Volvo A and the B share under Volvo B.

The Volvo share is included in a large number of indexes that are compiled by Dow Jones, FTSE, S&P and Nasdaq OMX Nordic.

Positive development on the stock market

In general, developments on the leading stock exchanges were positive following the negative developments in 2011. On Nasdaq OMX Nordic, the broad OMXSPI index rose by 12% (-17%) during the year.

On Nasdaq OMX Nordic the share price for the Volvo A share increased by 18%, and at year-end the price for the Volvo A share was SEK (89.40) (75.95). The lowest price paid was SEK 73.80 on June 28, and the highest price paid was SEK 100.50 on February 21.

The share price for the Volvo B share increased by 18% and was SEK 88.80 (75.30) at year-end. The lowest price paid was SEK 73.60 on June 28, and the highest price paid was SEK 100.40 on February 21 and March 16.

In 2012, a total of 2.1 billion (3.1) Volvo shares at a value of SEK 188 billion (282) were traded on Nasdaq OMX Stockholm, corresponding to a daily average of 8.5 million shares (12.0). The Volvo share was the most traded share on Nasdaq OMX

Stockholm in 2012. At year-end 2011, Volvo's market capitalization totalled SEK 189 billion (153).

According to Fidessa, the trading on Nasdaq OMX Stockholm accounted for 46% (56) of the turnover in the Volvo B share while the remainder took place at exchanges such as BATS, Chi-X, Burgundy and Turquoise.

Share conversion option

In accordance with a resolution on the AGM on April 6, 2011, the Articles of Association have been amended to include a conversion clause, stipulating that series A shares may be converted into series B shares, after a request sent to the Board.

During the year a total of 116,950,647 A shares were converted to B shares, representing 17.6% of the outstanding A shares at the end of 2011.

Further information on the procedure is available on the Volvo Group's web site: www.volvogroup.com

Ownership changes

In December 2012, Renault s.a.s. sold its entire holding of 138,604,945 A shares to a number of institutions in Sweden and abroad. As part of the transaction, Renault s.a.s. requested the conversion of 110,048,945 A shares to B shares. In conjunction with the transaction, Industrivärden announced that it had increased its holding by 10,000,000 A shares. At year end, Industrivärden was the largest owner in AB Volvo followed by Violet Partners, SHB and Norges Bank Investment Management, when measured as share of votes.

Dividend

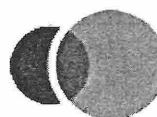
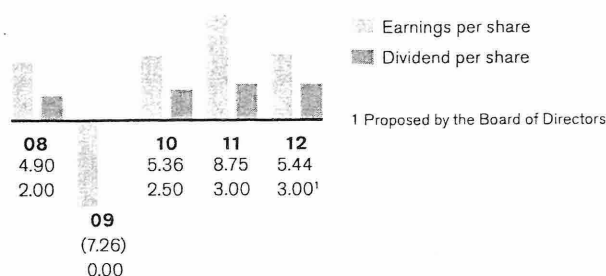
The Board proposes a dividend of SEK 3.00 per share for the financial year of 2012, which would mean that a total of SEK 6,083 M would be transferred to AB Volvo's shareholders. For the preceding year a dividend of SEK 3.00 per share was paid out, in total SEK 6,082 M.

Communication with shareholders

Dialog with the shareholders is important for Volvo. In addition to the Annual General Meeting and a number of larger activities aimed at professional investors, private shareholders and stock market analysts, the relationship between Volvo and the stock market is maintained through such events as press and telephone conferences in conjunction with the publication of interim reports, meetings with retail shareholders' associations, investor meetings and visits, as well as road shows in Europe, North America and Asia.

On the website www.volvogroup.com it is possible to access financial reports, search for information concerning the share, insider trading in Volvo and statistics for truck deliveries. It is also possible to access information concerning the Group's governance, including information about the Annual General Meeting, the Board of Directors, Group Management and other areas that are regulated in the "Swedish Code of Corporate Governance." The website also offers the possibility to subscribe to information from Volvo.

Earnings and dividend per share

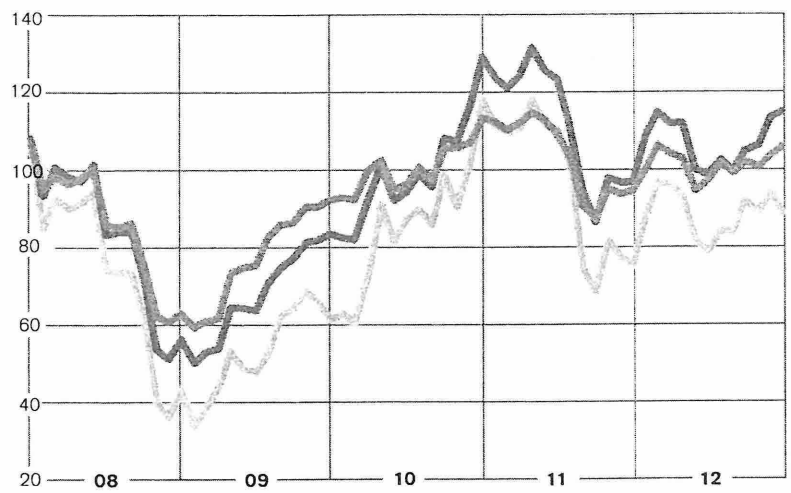


Dow Jones Sustainability Indexes

Member 2012/13

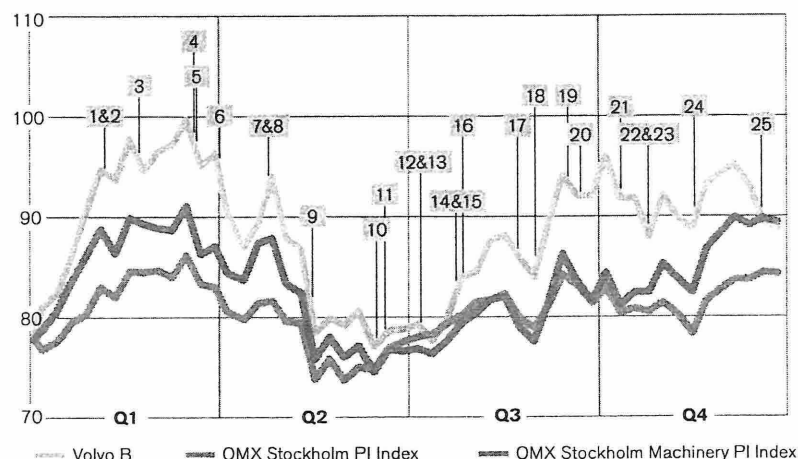
The Volvo Group once again qualifies for the Dow Jones Sustainability World Index (DJSI). The Volvo Group receives a particularly good rating for its handling of environmental issues. In this ranking, the world's 2,500 largest companies are assessed on the basis of their strategies and results in spheres such as business ethics, environmental consideration and social criteria, with the focus on their ability to generate long-term value. The top 300 companies, a category that encompasses the Volvo Group, are included in the DJSI World.

Price trend, Volvo Series B shares, 2008–2012, SEK



Source: NASDAQ OMX

Price trend, Volvo Series B shares, 2012, SEK

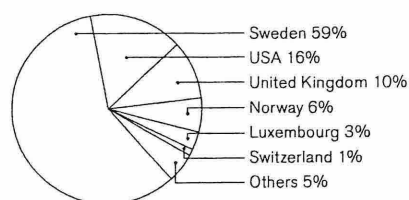


Source: NASDAQ OMX

Selected press releases

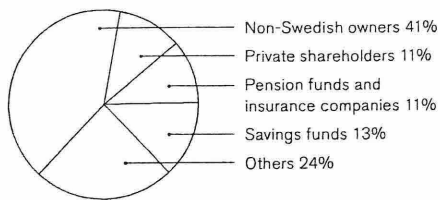
- | | | | |
|--------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|
| 1 Truck deliveries for December 2011, February 3 | 8 Report on the first quarter, April 26 | 15 Report on the second quarter, July 24 | 21 New organization in Europe, Middle East and Africa, October 10 |
| 2 Year-end report 2011, February 3 | 9 Truck deliveries for April, May 16 | 16 Renault Trucks Defense acquires Panhard, July 26 | 22 Truck deliveries for September, October 24 |
| 3 Truck deliveries for January, February 22 | 10 AB Volvo acquires shares in Deutz AG, June 13 | 17 Volvo Trucks launches new FH series, August 22 | 23 Report on the third quarter, October 24 |
| 4 Annual Report 2010, March 14 | 11 Truck deliveries for May, June 18 | 18 Truck deliveries for July, August 29 | 24 Truck deliveries for October, November 16 |
| 5 Truck deliveries for February, March 16 | 12 AB Volvo divests Volvo Aero, July 5 | 19 Truck deliveries for August, September 18 | 25 Truck deliveries for November, December 19 |
| 6 Annual General Meeting 2011, April 4 | 13 New Volvo engine for Euro 6, July 5 | 20 Volvo Group announces new truck strategy, September 25 | |
| 7 Truck deliveries for March, April 26 | 14 Truck deliveries for June, July 24 | | |

Ownership by country¹



¹ Share of capital, registered shares.

Ownership categories¹



¹ Share of capital, registered shares.

The employees' ownership of shares in Volvo through pension foundations is insignificant.

The largest shareholders in AB Volvo, 31 december¹

	Röstandel, %	
	2012	2011
Industrivärden	19.5	15.6
Violet Partners LP	6.5	5.6
SHB ²	5.5	4.7
Norges Bank Investment Management	5.1	2.4
AMF Insurance & Funds	5.0	3.9

Renault s.a.s., which was the largest owner at December 31, 2011, during 2012 divested its entire holding corresponding to 17.7% of the votes.

¹ Adjusted for shares owned by AB Volvo, which carry no voting rights at the AGM. AB Volvo held 20,728,135 class A shares and 80,013,209 class B shares comprising in total 4.7% of the number of registered shares on December 31, 2012.

² Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Share capital, December 31, 2012

Registered number of shares ¹	2,128,420,220
of which, Series A shares ²	546,544,375
of which, Series B shares ³	1,581,875,845
Quota value, SEK	1.20
Share capital, SEK M	2,554
Number of shareholders	242,482
Private persons	223,975
Legal entities	18,507

For further details on the Volvo share, see note 19.

¹ The number of outstanding shares was 2,027,678,876 at December 31, 2012.

² Series A shares carry one vote each.

³ Series B shares carry one tenth of a vote each.

» More details on the Volvo share and Volvo's holding of treasury shares are provided in note 19 to the financial statements and in the Eleven-year summary.

RISKS AND UNCERTAINTIES

Managed risk-taking

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability.

Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. At the Volvo Group work is carried out daily to identify, measure and manage risk – in some cases the Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Group's control, the Group strives to minimize the consequences.

The risks to which the Volvo Group are exposed are classified into three main categories:

- **External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations.
- **Financial risks** – such as currency fluctuations, interest levels fluctuations, valuations of shares or similar instruments, credit risk and liquidity risk.
- **Operational risks** – such as market reception of new products, reliance on suppliers, protection and maintenance of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

External-related risk

The commercial vehicles industry is cyclical

The Volvo Group's markets undergoes significant changes in demand as the general economic environment fluctuates. Investments in infrastructure, major industrial projects, mining and housing construction all impact the Group's operations as its

products are central to these sectors. Adverse changes in the economic conditions for the Volvo Group's customers may also impact existing order books through cancellations of previously placed orders. The cyclical demand for the Group's products makes the financial result of the operations dependent on the Group's ability to react to changes in demand, in particular to the ability to adapt production levels and production and operating expenses.

Intense competition

Continued consolidation in the industry is expected to create fewer but stronger competitors. Our major competitors are Daimler, Paccar, Navistar, MAN, Scania, Caterpillar, Komatsu, Cummins and Brunswick. In recent years, new competitors have emerged in Asia, particularly in China. These new competitors are mainly active in their domestic markets, but are expected to increase their presence in other parts of the world.

Prices may change

The prices of commercial vehicles have, at times, changed considerably in certain markets over a short period. This instability is caused by several factors, such as short-term variations in demand, shortages of certain component products, uncertainty regarding underlying economic conditions, changes in import regulations, excess inventory and increased competition. Overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure.

Extensive government regulation

Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry.

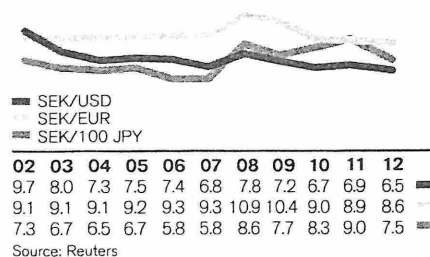
Most of the regulatory challenges regarding products relate to reduced engine emissions. The Volvo Group is a significant player in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are well known, and the product development strategy is well tuned to the introduction of new regulations.

Financial risk

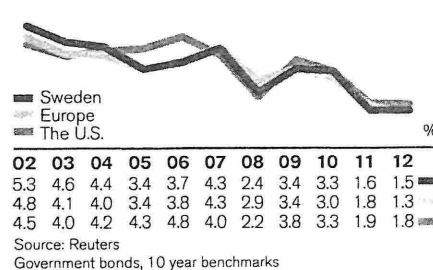
In its operations, the Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Group company's management of these risks. The objectives of the Group's policies for management of financial risks are to optimize the Group's capital costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility. Monitoring and control that established policies are adhered to is continuously conducted. Information about key aspects of the Group's system for internal controls and risk management in conjunction with the financial reporting is provided in the Corporate Governance Report on page 74–88. Most of the Volvo Group's financial transactions are carried out through the in-house bank, Volvo Treasury, that conducts its operations within established risk mandates and limits. Credit risks are mainly managed by the different business areas.

The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 4 and 30. Various aspects of financial risk are described briefly in the following paragraphs. Volvo Group's

Currencies



Interest rates in Sweden, Europe and the U.S.



accounting policies for financial instruments are described in note 30. The overall impact on a company's competitiveness is also affected however by how various macro-economic factors interact.

Interest-related risk

Interest-related risk includes risks that changes in interest rates will impact the Group's income and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks).

Currency-related risk

More than 90% of the net sales of the Volvo Group are generated in countries other than Sweden. Changes in exchange rates have a direct impact on the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact on Volvo's competitiveness, which over time affects the Group's earnings.

Credit-related risk

An important part of the Group's credit risk is related to how the financial assets of the Group have been placed. The majority are placed in interest-bearing bonds issued by Swedish real estate financing institutions.

Liquidity risk

The Volvo Group ensures its financial preparedness by always maintaining a certain portion of revenues in liquid assets.

Market risk from investments in shares or similar instruments

The Volvo Group is indirectly exposed to market risks from shares and other similar instruments, as a result of managed capital transferred to independent pension plans being partly invested in instruments of these types.

Operational risk

The profitability depends on successful new products

The Volvo Group's long-term profitability depends on the Company's ability to successfully launch and market its new products. Product life cycles continue to shorten, putting increased focus on the success of the Group's product development.

Reliance on suppliers

The Volvo Group purchases raw materials, parts and components from numerous external suppliers. A significant part of the Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary

depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace.

The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of our suppliers to deliver.

Intangible assets

AB Volvo owns or otherwise has rights to patents and brands that refer to the products the Company manufactures and markets. These have been acquired over a number of years and are valuable to the operations of the Volvo Group. AB Volvo does not consider that any of the Group's operations are heavily dependent on any single patent or group of patents.

Through Volvo Trademark Holding AB, AB Volvo and Volvo Car Corporation jointly own the Volvo brand. AB Volvo has the exclusive right to use the Volvo name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the Volvo name and trademark for its products and services.

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand. The amount paid during 2012 to Renault s.a.s. for license fees amounted to SEK 6.4 M.

The Volvo Group's rights to use the Panhard brand are regulated by a license from Peugeot SA. The amount paid during 2012 to Peugeot SA for license fees amounted to SEK 90,000.

Complaints and legal actions

The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group are found in note 24 Contingent Liabilities.

Even if such disputes are resolved successfully, without having adverse financial consequences, they could negatively impact the Group's reputation and take up resources that could be used for other purposes.

Risk related to human capital

A decisive factor for the realization of the Volvo

Group's vision is our employees and their knowledge and competence. Future development depends on the company's ability to maintain its position as an attractive employer. To this end, the Volvo Group strives for a work environment in which energy, passion and respect for the individual are guiding principles. Every year a Group-wide survey is conducted, and according to the survey the share of satisfied employees has been on a high level in recent years.

Short-term risk factors

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

The Volvo Group verifies annually, or more frequently if necessary, the goodwill value and other intangible assets for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

For further information on intangible assets, see note 12.

The reported amounts for contingent liabilities reflect a part of the Volvo Group's risk exposure, see note 24 for contingent liabilities.

Contractual conditions related to take over bids

Some of AB Volvo's long term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. In AB Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms. Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are also included in some of the agreements whereby Renault Trucks' has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Group's purchasing agreements.

» Further information

Note 27 Personnel contains information concerning rules on severance payments applicable for the Group Executive Team and certain other senior executives.

Note 4 and 30 contain information regarding financial risks as well as goals and policies in financial risk management.

Further risk information is provided in note 24.

Corporate Governance Report

Significant events during 2012

On January 1, 2012, the implementation of a new, more functional oriented organizational structure for the Volvo Group was initiated.

At the Annual General Meeting held on April 4, 2012, Carl-Henric Svanberg was appointed new Chairman of the AB Volvo Board.

In December 2012, Renault s.a.s. divested its holding of Volvo shares and, in connection therewith, converted a large number of series A shares to series B shares, entailing that the total number of votes in the company declined.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the NASDAQ OMX Stockholm and accordingly, Volvo complies with NASDAQ OMX Stockholm's Rule Book for Issuers. As a listed company, Volvo also applies the Swedish Corporate Governance Code (the Code), which is available at www.bolagsstyrning.se.

Between January 1, 2012 and December 31, 2012, Volvo did not deviate from any of the regulations set forth in the Code.

This Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been examined by Volvo's auditors and includes a report from the auditors.

Corporate Governance Model

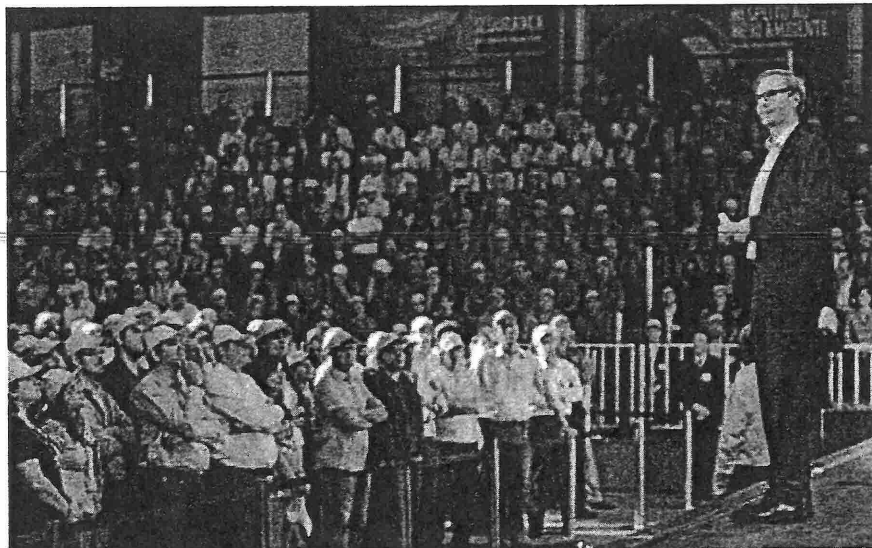
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and election of auditors.

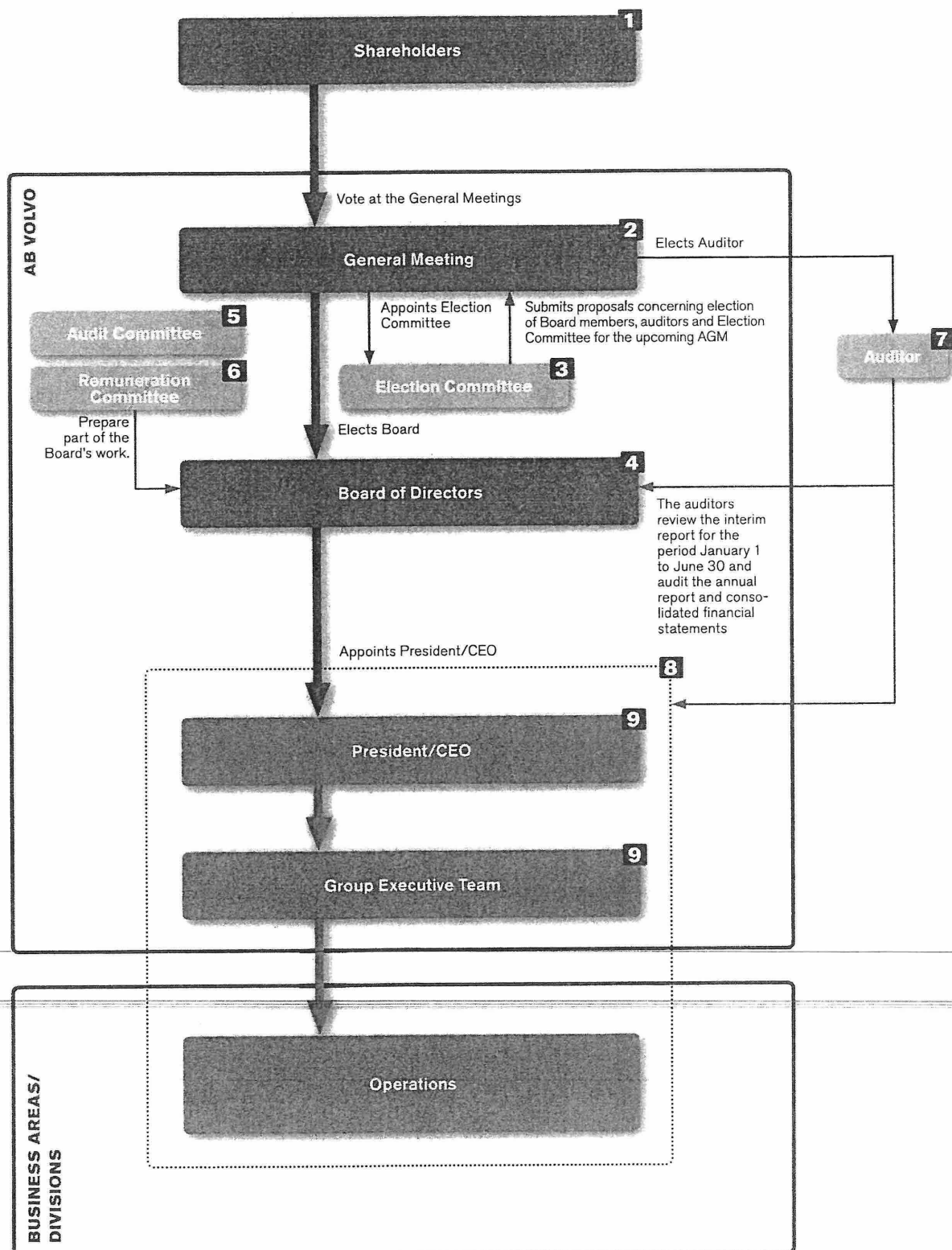
An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the next Annual General Meeting concerning the election of Board members, Board Chairman and, when necessary, external auditors, and proposals for resolutions concerning fees to the Board and the auditors.

The Board is ultimately responsible for Volvo's organization and management of the operations. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

In addition, the Board appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO) of the Volvo Group. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between General Meetings, the Board of Directors and the President are regulated inter alia by the Swedish Companies Act, Volvo's articles of association, the Code and the Board's work procedures.





1 Shares and shareholders

AB Volvo's share register is kept by Euroclear Sweden AB. On December 31, 2012, Volvo had 242,482 shareholders according to the share register. The largest shareholder on that date was AB Industrivärden, with 18.7% of the votes based on the number of registered shares. Violet Partners L.P. held 6.2% of the votes and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen held 5.2% of the votes, based on the number of registered shares.

Volvo has issued two classes of shares: series A and series B. In a vote at a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares be converted to series B shares. Implementation of such conversions entails that the total number of votes in the company decreases.

In mid-December 2012, Volvo's largest shareholder at that time, Renault s.a.s., announced that the company had divested all of its Volvo shares by selling 138,604,945 series A shares in the stock market. In connection therewith, Volvo received a request for conversion of 110,048,945 series A shares into series B shares. Implementation of the conversion entailed that the total number of votes in the company declined. At the end of 2012, the total number of shares in the company amounted to 2,128,420,220, of which series A shares accounted for 546,544,375 and series B shares accounted for 1,581,875,845. The total number of votes amounted to 704,731,959.50.

For more information about the Volvo share and its shareholders, refer to the Board of Director's report on pages 70-71 of the Annual Report.

2 General Meeting

General

The General Meeting is Volvo's highest decision-making body. The General Meeting held within six months after the end of the fiscal year and that adopts the income statement and balance sheet is called the Annual General Meeting. The Annual General Meeting of Volvo is normally held in Gothenburg. In addition to resolutions concerning adoption of the income statement and balance sheet for AB Volvo and the Volvo Group, the Annual General Meeting also adopts resolutions concerning allocations of profit, the composition of Volvo's Board, directors' fees and elects external auditors. Notice to attend a General Meeting is issued in the form of an announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. The fact that notice has been issued is announced in Dagens Nyheter and Göteborgs-Posten.

Shareholders who are recorded in the share register five working days prior to a General Meeting and who have notified Volvo of their participation in a certain order, are entitled to participate in the Meeting, in person or by proxy, and to vote for or against the proposals put forward at the Meeting and to present questions to the Board and the President.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Resolutions at a General Meeting are normally passed by simple majority and for elections, the person who receives the most votes is considered elected. However, certain resolutions, such as amendment of the Articles of Association, require a decision by a qualified majority.

Annual General Meeting 2012

Volvo's Annual General Meeting 2012 was held on Wednesday, April 4, 2012 in Gothenburg. The Meeting was attended by 1,401 shareholders, either in person or by proxy, representing 70.17% of the votes in the company. Attorney Sven Unger was elected Chairman of the Meeting. Members of the Board and the Group Executive Team, and Volvo's Lead Auditor Göran Tidström representing PricewaterhouseCoopers, Volvo's elected auditing firm, were present at the Meeting. At the Meeting, Göran Tidström announced that he would be resigning as Lead Auditor and that his replacement would be Authorized Public Accountant Peter Clemmenson.

The Annual General Meeting 2012 adopted inter alia the following resolutions:

- to pay a dividend of SEK 3.00 per share,
- to reelect Board Members Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Ravi Venkatesan, Lars Westerberg and Ying Yeh,
- to elect Carl-Henric Svanberg as new Board Member and Chairman,
- the Board's fees for the period up until the next Annual General Meeting,
- to adopt the proposed guidelines for remuneration of senior executives.

Complete minutes and information about the Annual General Meeting 2012 are available at www.volvogroup.com.

Annual General Meeting 2013

Volvo's Annual General Meeting 2013 will be held on Thursday, April 4, 2013 in Lisebergshallen, Gothenburg. For further information about the Annual General Meeting 2013, please refer to the fold-out in the end of the Annual Report and Volvo's website www.volvogroup.com.

3 Election Committee

Duties

The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other members of the Board, as well as proposing fees and other compensations to be paid to the Board members.

In the years in which Volvo elects auditors, the Election Committee presents proposals to the Meeting for the election of auditors and for fees to be paid to the auditors. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting being published, the Election Committee shall comment on whether those persons who are proposed to be elected as Board members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their material duties and holding of shares in Volvo.

Composition

In accordance with instructions adopted by the Annual General Meeting 2007, the Annual General Meeting shall select five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already represented on the Election Committee. The number of members on the Election Committee, however, may not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2012 resolved to appoint the following individuals as members of the Election Committee:

- Carl-Henric Svanberg, Chairman of the Board,
- Jean-Baptiste Duzan, representing Renault s.a.s.,
- Carl-Olof By, representing AB Industrivärden,
- Lars Förberg, representing Violet Partners LP, and
- Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

The Election Committee appointed Carl-Olof By as Chairman.

4 Board of Directors

Duties

The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition

During the period January 1, 2012 – December 31, 2012, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations.

The Annual General Meeting 2012 appointed Carl-Henric Svanberg as new member and Chairman of the AB Volvo Board. Carl-Henric Svanberg is also Chairman of the Board of BP p.l.c. He has long prior experience as a President and CEO for leading global companies.

An account of each Board member's age, principal education, professional experience, assignments in the company, other important board memberships, their own and related parties' ownership of shares in Volvo as of February 21, 2013, and the year they were elected on the Volvo Board, is presented in the "Board of Directors" section below on pages 80–81.

Independence requirements

The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code entailing that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. Prior to the Annual General Meeting 2012, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2012.

Peter Bijur, Hanne de Mora, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh were all considered independent of the company and company management as well as of the company's major shareholders.

Olof Persson, as AB Volvo's President and CEO of the Volvo Group, was considered independent of the company's major shareholders but not of the company and company management.

Jean-Baptiste Duzan was considered independent in relation to the company and company management. However, in his prior capacity as an advisor to the CEO of Renault S.A., he was deemed to have such a relation to Renault s.a.s. that he could not be considered independent thereof. Since Renault s.a.s., prior to the Annual General Meeting 2012, controlled more than 10 percent of the votes in the company, Jean-Baptiste Duzan was not considered independent in relation to one of the company's major shareholders.

Anders Nyrén was deemed independent in relation to the company and company management. However, due to his capacity as President and CEO of AB Industrivärden, he was not deemed independent thereof. Since AB Industrivärden, prior to the Annual General Meeting 2012, controlled more than 10 percent of the votes in the company, Anders Nyrén was not considered independent in relation to one of the company's major shareholders.

Work procedures

Every year, the Board adopts work procedures for the Board's work. The work procedures contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be addressed at regular meetings of the Board and duties incumbent on the Chairman.

In accordance with the work procedures, Volvo's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and ensure compliance with the Board's resolutions. In addition, the work procedures contain directives concerning the tasks of the Audit Committee and the Remuneration Committee respectively.

The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the President.

The Board's work in 2012

The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss on-going business and to ensure that the resolutions taken by the Board are executed.

In 2012, there were eight regular meetings, one statutory meeting and two extraordinary meetings. The attendance of Board members at these meetings is presented in the table on page 79.

During 2012 the Board devoted time to matters related to the implementation of the new organizational structure of the Group, such as the introduction of a new financial framework and new strategic objectives for 2013–2015 and discussions concerning a new truck brand positioning strategy. The launch of the new Volvo FH was an important event for the Volvo Group during 2012, which was the result of a long-term development project that has been discussed and decided upon by the AB Volvo Board. During 2012 the Volvo Group further divested the subsidiary Volvo Aero to the British engineering company GKN and the Group increased its shareholding in the German engine manufacturer Deutz AG, two transactions that have also been discussed and decided by the Board. Further the Board has during 2012 devoted time to matters concerning the agreement that Volvo signed with Dongfeng Motor Group Company Limited (DFG) in January 2013, to acquire 45% of a new subsidiary of DFG. As a result of the uncertainty about the macroeconomic trend, the Board specifically focused on monitoring the business environment in order to be prepared to adapt the operation to prevailing demand. The Board also continuously worked with leadership succession- and leadership development issues.

The Board also reviewed the financial positions of AB Volvo and the Volvo Group on a regular basis and acted in order to ensure that there are efficient systems with which to follow-up and control the busi-

ness and financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Board also met with the company's auditors at several occasions during 2012 and without the presence of management at one occasion. The Board continuously evaluates the performance of the CEO.

During 2012 the Board performed its yearly evaluation of the Board's work.

The Board's committees

5 Audit Committee

Duties

In December 2002, the Board established an Audit Committee primarily for the purpose of overseeing the accounting and financial reporting processes and the audit of the financial statements.

The Audit Committee is responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Audit Committee also has the task of reviewing and overseeing the Group's legal and taxation matters as well as compliance with laws and regulations that may have a material impact on the financial reporting. The Audit Committee also has the task of reviewing and overseeing the impartiality and independence of the company's auditors. The Audit Committee is also responsible for evaluating the internal and external auditors' work; providing the Election Committee with the results of the evaluation of the external auditors and to assist in preparing proposals for the election of auditors. In addition, the Audit Committee's task is to establish guidelines specifying what other services, beyond auditing, the company may procure from the auditors. The Audit Committee shall also evaluate the quality, relevance and efficiency of the Group's system for internal control over financial reporting, and with respect to the internal audit and risk management. Finally, the Audit Committee adopts guidelines for transactions with companies and persons closely associated with Volvo.

Composition and work in 2012

At the statutory Board meeting following the Annual General Meeting 2012, the following Board members were appointed members of the Audit Committee:

- Lars Westerberg,
- Peter Bijur,
- Jean-Baptiste Duzan

Lars Westerberg was appointed Chairman of the Audit Committee.

According to the Swedish Companies Act, the members of the Audit Committee may not be employees of the company and shall be independent and at least one member of the Audit Committee shall be independent and have accounting or auditing expertise. In addition, the Code stipulates that a majority of the members of the Audit Committee shall be independent of the company and the company management, and that at least one of the members who is independent of the company and the company management shall also be independent of the company's major shareholders. The Election Committee's assessment of independence prior to the Annual General Meeting 2012 is presented above under the "Independence requirements" section on pages 77–78. All members of the Audit Committee are highly familiar with accounting matters and the accounting standards that apply for an international Group such as Volvo.

The Audit Committee met with the external auditors without the presence of management at four occasions in connection with the Audit Committee meetings. The Audit Committee has also met with the Head of Corporate Audit at the meetings of the Audit Committee.

The Audit Committee and the external auditors have, among other tasks, discussed the external audit plan and risk management. The Audit Committee held eight meetings during 2012. The attendance of Board members at Committee meetings is presented in the table to the right on this page.

6

Remuneration Committee

Duties

In April 2003, the Board established a Remunera-

tion Committee for the purpose of preparing and deciding on issues relating to remuneration to senior executives in the Group. The duties of the Committee include presenting recommendations for resolution by the Board regarding the terms and conditions of employment and remuneration for the President of AB Volvo, principles for remuneration, including pensions and severance payments, for other members of the Group Executive Team, and principles for variable salary systems, share-based incentive programs, pensions and severance payment for other senior executives in the Group.

The Remuneration Committee shall monitor and evaluate ongoing programs and programs concluded during the year covering variable remuneration for the executives, application of the policy for remuneration to senior executives on which the Annual General Meeting shall decide and the current remuneration structures and levels in the Group. The Board shall, not later than two weeks prior to the Annual General Meeting, submit a report on the results of the Remuneration Committee's evaluation on the company's website.

Composition and work in 2012

At the statutory Board meeting following the Annual General Meeting 2012, the following Board members were appointed members of the Remuneration Committee:

- Carl-Henric Svanberg,
- Anders Nyrén,
- Ying Yeh

Carl-Henric Svanberg was appointed Chairman of the Remuneration Committee.

The Code sets the requirement that members of the Remuneration Committee, with the exception of the Board Chairman if a member of the Remuneration Committee, shall be independent of the company and company management. The Election committee's assessment of independence prior to the Annual General Meeting 2012 is presented above under the "Independence requirements" section on pages 77–78.

The Remuneration Committee held four meetings during 2012. The attendance of Board members at Committee meetings is presented in the table to the right on this page.

Remuneration to Board members

The Annual General Meeting resolves on the fees to be paid to the Board members elected by the shareholders. The Annual General Meeting held on April 4, 2012, approved fee payments to the Board, for the time until the end of the next Annual General Meeting, as follows:

Volvo's Chairman should receive a fee of SEK 2,100,000 and each of the remaining members elected by the shareholders should receive a fee of SEK 700,000 with the exception of the President. The Chairman of the Audit Committee should receive a fee of SEK 300,000 and other members of the Audit Committee SEK 150,000 each. In addition, the Chairman of the Remuneration Committee should receive SEK 125,000 and other members of the Remuneration Committee SEK 100,000 each.

The Board's composition and attendance at meetings January 1, 2012 – December 31, 2012

Member	Board (11 incl. statutory)	Audit Committee (8)	Remuneration Committee (4)
Louis Schweitzer ¹	3		1
Carl-Henric Svanberg ²	8		3
Peter Bijur	10	8	
Jean-Baptiste Duzan	11	8	
Hanne de Mora	11		
Anders Nyrén	11		4
Olof Persson	11		
Ravi Venkatesan	10		
Lars Westerberg	11	8	
Ying Yeh	10		4
Peteris Lauberts, employee representative	11		
Mikael Sällström, employee representative	11		
Berth Thulin, employee representative	11		
Total number of meetings	11	8	4

1 Stepped down from the Board on April 4, 2012.

2 Joined the Board on April 4, 2012

Board of Directors

Board members elected by the Annual General meeting

1. Carl-Henric Svanberg

Chairman of the Board

Chairman of the Remuneration Committee

Born 1952. Master of Science, B. Sc. Business Administration. **Board Chairman:** BP p.l.c. Chairman of the Volvo Board since April 4, 2012. **Holdings in Volvo, own and related parties:** 700,000 Series B shares.

Principal work experience: Has held various positions at Asea Brown Boveri (ABB) and Securitas AB; President and Chief Executive Officer of Assa Abloy AB; President and Chief Executive Officer of Telefonaktiebolaget LM Ericsson; member of the External Advisory Board of the Earth Institute at Columbia University and the Advisory Board of Harvard Kennedy School.

2. Peter Bijur

Member of the Audit Committee

Born 1942. MBA Marketing, BA Political Science. **Board member:** Gulfmark Offshore Inc. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** 3,000 Series B shares.

Principal work experience: Numerous positions with Texaco Inc, retired as Chairman and Chief Executive Officer in 2001.

3. Jean-Baptiste Duzan

Member of the Audit Committee

Born 1946. Graduate of the Ecole Polytechnique. Senior Advisor Lazard Frères. **Board member:** Nissan Motor Co. Ltd. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 1,000 Series B shares.

Principal work experience: Began his career at Citibank. Has held various positions within Renault since 1982 – director of financial services at Renault V.I.; finance director of Renault credit, director of financial operations; project director for the car model Safrane; Senior Vice President, Purchasing, and joined the Renault Management Committee. He was also named Chairman and Managing Director, Renault Nissan Purchasing Organization. He was then named Group Controller. Today, he works as an independant consultant.

4. Hanne de Mora

Born 1960. BA in Economics from HEC in Lausanne, MBA from IESE in Barcelona. **Board Chairman:** a-connect (group) ag. **Board member:** Sandvik AB, IMD Foundation Board. Member of the Volvo Board since 2010. **Holdings in Volvo, own and related parties:** 3,000 Series B shares.

Principal work experience: Credit Analyst Den Norske Creditbank in Luxemburg 1984, various positions within brand management and controlling within Procter & Gamble 1986–1989, Partner McKinsey & Company, Inc. 1989–2002, one of the founders and owners, also Chairman of the Board, of the management company a-connect (group) ag since 2002.

5. Anders Nyrén

Member of the Remuneration Committee

Born 1954. Graduate of the Stockholm School of Economics, MBA at UCLA. President and Chief Executive Officer of AB Industrivärden. **Board Chairman:** Sandvik AB. **Vice Chairman:** Svenska Handelsbanken. **Board member:** AB Industrivärden, Ernstströmgruppen AB, SSAB Svenskt Stål AB, Svenska Cellulosa Aktiebolaget SCA, Telefonaktiebolaget LM Ericsson, Stockholm School of Economics and SSE Association. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 5,200 Series B shares.

Principal work experience: Has worked for AB Wilhelm Becker. He has held various positions within STC – Controller, Executive Vice President and CFO, and President of STC Venture AB; President at OM International AB; Executive Vice President and CFO at Securum; Director with executive responsibility for Markets and Corporate Finance at Nordbanken; Executive Vice President and CFO at Skanska.

6. Olof Persson

Born 1964. B. Sc. in Business Administration and Economics. President of AB Volvo and Chief Executive Officer of the Volvo Group since 2011. **Board Chairman:** The German-Swedish Chamber of Commerce. **Board member:** The Confederation of Swedish Enterprise and the Swedish-American Chamber of Commerce. Member of the Volvo Board since 2011. **Holdings in Volvo, own and related parties:** 76,037 Series B Shares.

Principal work experience: Began his career at ABB; has held a number of executive positions at AdTranz and Bombardier; President of Volvo Aero; President of Volvo Construction Equipment.

7. Ravi Venkatesan

Born 1963. MBA, Harvard Business School, and M.Sc. Industrial Engineering, Purdue University. Director Truepoint Center in Boston. **Board member:** Infosys Ltd., Advisory Board of Bunge Inc., Non Profit Advisory Board Harvard Business School, Babajobs Pvt. Ltd. Member of the Volvo Board since 2008. **Holdings in Volvo, own and related parties:** 700 Series B shares.

Principal work experience: Several leading positions within the American engine manufacturer Cummins. Chairman of Microsoft India and responsible for Microsoft's marketing, operational and business development efforts in India.

8. Lars Westerberg

Chairman of the Audit Committee

Born 1948. M.Sc. Engineering, Bachelor Business Administration. **Board Chairman:** Husqvarna AB. **Board member:** SSAB Svenskt Stål AB, Sandvik AB, Meda AB and Stena AB. Member of the Volvo Board since 2007. **Holdings in Volvo, own and related parties:** 60,000 Series A shares.

Principal work experience: President and CEO of Gränges AB, ESAB AB and Autoliv Inc.

9. Ying Yeh

Member of the Remuneration Committee

Born 1948. BA, Literature & International Relations. **Board member:** ABB Ltd, Samsonite International S.A., InterContinental Hotels Group PLC. Member of the Volvo Board since 2006. **Holdings in Volvo, own and related parties:** None.

Principal work experience: Journalist NBC, New York. Numerous positions with the U.S. Government Foreign Service in Burma, Hong Kong, Taiwan and Beijing. Various positions with Eastman Kodak in China, latest as President and Chairman, North Asia Region. Chairman of Nalco Greater China.

Board members and deputies appointed by employee organisations

10. Mikael Sällström

Employee representative, ordinary member. Born 1959. With Volvo 1980–1999 and since 2009. Member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** None.

11. Berth Thulin

Employee representative, ordinary member. Born 1951. With Volvo since 1975. Deputy member of the Volvo Board 1999–2009, member since 2009. **Holdings in Volvo, own and related parties:** 1,425 Series B shares.

12. Peteris Lauberts

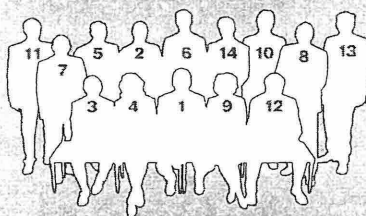
Employee representative, ordinary member. Born 1948. With Volvo since 1999. Deputy member of the Volvo Board 2010–2011, member since November 1, 2011. **Holdings in Volvo, own and related parties:** 299 Series A shares

13. Lars Ask

Employee representative, deputy member. Born 1959. With Volvo since 1982. Deputy member of the Volvo Board since 2009. **Holdings in Volvo, own and related parties:** 549 shares, including 250 Series B shares.

14. Hans Hansson

Employee representative, deputy member. Born 1964. With Volvo since 1985. Deputy member of the Volvo Board since May 4, 2012. **Holdings in Volvo, own and related parties:** 5,250 shares, including 250 Series B shares.



Secretary to the Board

Eva Persson

Born 1953. Master of Laws. Executive Vice President Corporate Legal & Compliance and General Counsel of the Volvo Group. Secretary to the Volvo Board since 1997. **Holdings in Volvo, own and related parties:** 64,468 shares, including 62,909 Series B shares.



7 External auditing

Volvo's auditors are elected by the Annual General Meeting. The current auditor is PricewaterhouseCoopers AB (PwC), which was elected at the Annual General Meeting 2010 for a period of four years. Two partners of PwC, Peter Clemedtson and Johan Rippe, are responsible for the audit of Volvo. Peter Clemedtson is Lead Auditor.

The external auditors discuss the external audit plan and risk management with the Audit Committee. The auditors review the interim report for the period January 1 to June 30 and audit the Annual Report and the consolidated accounting. The auditors also express an opinion whether this Corporate Governance Report was prepared or not, and in such respect whether certain information therein coincides with the Annual Report and consolidated accounting. The auditors report their

findings with regard to the annual report, consolidated accounting and the Corporate Governance Report through the audit reports and a separate opinion regarding the Corporate Governance Report, which they present to the Annual General Meeting. In addition, the auditors report detailed findings from their reviews to the Audit Committee twice a year and once a year to the full Board of Directors.

When PwC is retained to provide services other than the audit, it is done in accordance with rules decided by the Audit Committee pertaining to pre-approval of the nature of the services and the fees.

For information concerning Volvo's remuneration to the auditors, refer to Note 28 "Fees to the auditors" in the Group's notes in the Annual Report.

Auditors

PricewaterhouseCoopers AB

Peter Clemedtson

Authorized Public Accountant.

Lead Partner.

Auditor since 2012.

Peter Clemedtson's other listed client is Ratos. His unlisted clients include Wallenbergstiftelsen, 3 and Proventus. Peter has previously been appointed auditor in Ericsson, SEB, Electrolux, OMX and Gambro.

Born 1956.

Johan Rippe

Authorized Public Accountant.

Partner

Auditor since 2010.

Johan Rippe's other clients are Getinge AB and Elanders AB.

Born 1968.

8 Governance and organizational structure

Volvo's core values, vision and strategies

Volvo's core values are quality, safety and environmental care. These values form the common base for the Group's long-term goals and vision and for the strategies and plans, the purpose of which is to contribute to achieving our goals and vision.

The Volvo Group's vision is to become the world leader in sustainable transport solutions. The vision describes the overall long-term goal for the operations. Volvo has also adopted a wanted position 2020 with the aim to achieve its long-term vision. In addition, the Board has resolved on a number of new, financial targets for the operations, primarily in relation to growth and profitability, which have been implemented as of 2012.

How Volvo will achieve the vision, the wanted position 2020 and the financial targets are defined in long-term plans for different areas such as brand positioning, product development, finance and IT, and in more short-term strategic objectives with a duration of three years. The long-term plans may be both Group-wide and business area/division specific, and even if a long-term approach is applied, they will be updated continuously. Every third year, specific focus areas and strategic objectives are formulated that are specific to the Group's various business areas and divisions. These focus areas and strategic objectives define what is to be achieved over the next three years, with the purpose of achieving the financial targets, the wanted position 2020 and also, in longtime-perspective, the vision.

The implementation of activities to reach the strategic objectives has high priority. Throughout the three-year period, monthly and quarterly follow-ups of the strategic objectives are reported to the management groups of each business area/division. Potential risks of not achieving the goals are therewith identified and discussed at an early stage, enabling efficient adjustment or action. The vision and strategies thereby become management and governance tools for the Group.

Governance documents

Another key component of the governance and control is the Group's policies and directives, such as the Code of Conduct and policies pertaining to investments, financial risks, accounting, financial control and internal audit, which contain Group-wide operating and financial rules for the operations, as well as responsibility and authority structures.

Organizational structure

The Volvo Group's business activities are organized into six business areas: Group Trucks, Construction Equipment, Buses, Volvo Penta, Governmental Sales and Volvo Financial Services.

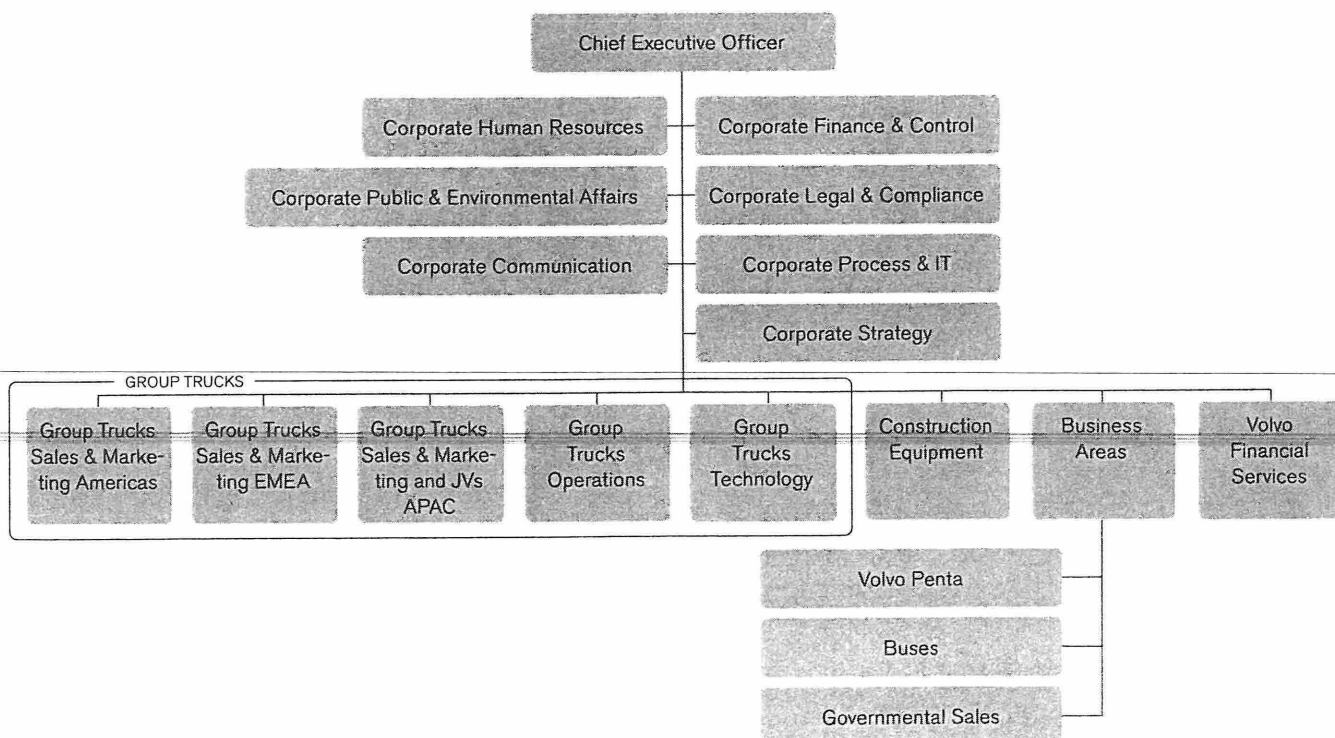
The Group Trucks operations, which account for almost two-thirds of the Group's total sales, are organized into five divisions. There are three

sales and marketing divisions: Group Trucks Sales & Marketing Americas (with responsibility for North and South America), Group Trucks Sales & Marketing EMEA (with responsibility for Europe, the Middle East and Africa) and Group Trucks Sales & Marketing and JVs APAC (with responsibility for Asia and the Pacific region and for the Group's joint-venture truck companies). There is also a division with responsibility for product development of engines, transmissions and trucks as well as for purchasing: Group Trucks Technology (GTT). Finally, Group Trucks Operations (GTO) is a division within Group Trucks with responsibility for production of trucks and the Group's engines and transmissions. GTO is also responsible for the Group's spare parts supply and logistics operations.

There are seven Corporate Functions: Corpo-

rate Human Resources, Corporate Public & Environmental Affairs, Corporate Communication, Corporate Finance & Control, Corporate Legal & Compliance, Corporate Process & IT and Corporate Strategy, providing support to the CEO and the Group Executive Team with expertise in each Corporate Function area and developing standards for the entire organization through policies, directives and guidelines.

In addition there are more than twenty Group Functions that provide services and/or products to the entire Group, for example Volvo IT and Business Services.



9 Group Management

The Group Executive Team has 16 members including the CEO. In addition to the CEO, the Group Executive Team comprises the Executive Vice Presidents of the five Group Trucks divisions, the Executive Vice President Volvo Construction Equipment, the Executive Vice President Business Areas, the Executive Vice President Volvo Financial Services and the Executive Vice Presidents of the seven Corporate Functions. The members of the Group Executive Team report directly to the CEO.

The CEO leads the operations of the Group partly through the Group Executive Team but also through the Group Trucks Executive Management Team, which normally holds weekly meetings. In addition, the CEO conducts regular follow-ups with the heads of Group Functions, the other Business Areas and Corporate Functions. Further, the Business Areas and the Group Functions have separate decision foras called Business Review Meetings and there are also cross-functional committees that manage matters concerning processes pertaining to more than one Group Function. These bodies effect control and monitoring of the Group's financial development, strategies and targets and make decisions regarding investments and other matters.

Remuneration to the Group Executive Team

AB Volvo's Annual General Meeting annually approves a policy on remuneration to the Group Executive Team, following a proposal from the Board. The remuneration policy adopted by the Annual General Meeting 2012 states that the guiding principle is that remuneration and other terms of employment for the Group Executive Team shall be competitive in order to ensure that the Volvo Group can attract and retain competent executives.

The policy also states that the executives may receive variable salary in addition to fixed salary. The variable salary may, as regards the President, amount to a maximum of 75% of the fixed salary and, as regards the other executives, a maximum of 60% of the fixed salary. In 2012, members of

Group Management



Olof Persson
President and CEO

Born 1964. B. Sc. in Business Administration and Economics. President of AB Volvo and Chief Executive

Officer of the Volvo Group since 2011. President of Volvo Construction Equipment 2008–2011. President of Volvo Aero 2006–2008. With Volvo since 2006. **Board Chairman:** The German-Swedish Chamber of Commerce. **Board member:** The Confederation of Swedish Enterprise and the Swedish-American Chamber of Commerce. Member of the Volvo Board since 2011. **Holdings in Volvo, own and related parties:** 76,037 Series B shares.



Dennis Slagle
Executive Vice President
Group Trucks Sales
& Marketing Americas

Born 1954. Bachelor of Science. President and CEO of North American Trucks 2009–2011. President and CEO of Mack Trucks, Inc. 2008–2011.

President and CEO of Volvo Construction Equipment North America 2003–2008. Member of the Group Executive Team since 2008. With Volvo since 2000. **Board member:** West Virginia Wesleyan College Board of Trustees. **Holdings in Volvo, own and related parties:** 22,978 Series B shares.



Peter Karlsten
Executive Vice President
Group Trucks Sales
& Marketing EMEA

Born 1957. M. Sc. Electrical Engineering. President of

Volvo Powertrain 2007–2011. Senior Vice President Technology for the Volvo Group 2007–2011. Head of Volvo's North American truck operations 2003–2007. Head of Volvo Trucks in Brazil 2001–2003. Member of the Group Executive Team since 2007. With Volvo since 2001. **Holdings in Volvo, own and related parties:** 107,381 shares, including 107,082 Series B shares.



Joachim Rosenberg
Executive Vice President
Group Trucks Sales
& Marketing and JVs
APAC

Born 1970. M. Sc. Industrial

Engineering and Management, M. Sc. Financial Economics, M. Sc. Business and Economics. Has held various senior positions in the Volvo Group, most recently as Executive Vice President Group Trucks Sales & Marketing APAC 2012. President of Volvo Group Asia Truck Operations 2007–2011. Vice President Volvo Group Alliance Office 2007. Vice President Volvo Powertrain 2005–2007. Member of the Group Executive Team since 2012. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 14,578 Series B shares.



Torbjörn Holmström
Executive Vice President
Group Trucks Technology

Born 1955. M. Sc. Mechanical Engineering. President of Volvo 3P 2003–2011. Prior

to that he has held various senior positions at Volvo Powertrain. Member of the Group Executive Team since 2012. With Volvo since 1979. **Holdings in Volvo, own and related parties:** 42,333 Series B shares.



Mikael Bratt
Executive Vice President
Group Trucks Operations

Born 1967. Has held various senior positions in the financial areas in the Volvo

Group, most recently as Senior Vice President and CEO 2008–2011. Prior to that Vice President and Head of Corporate Finance at AB Volvo. Member of the Group Executive Team since 2008. With Volvo since 1988. **Holdings in Volvo, own and related parties:** 85,493 shares, including 84,601 Series B shares.



Patrick Olney
Executive Vice President
Volvo Construction
Equipment

Born 1968. B. Sc. Business Administration. Head of

Volvo Construction Equipment since 2011. Prior to that he has held various senior positions at Volvo Construction Equipment, most recently as Vice President and Head of Operations. Member of the Group Executive Team since 2011. With Volvo since 1997. **Holdings in Volvo, own and related parties:** 13,795 Series B shares.



Håkan Karlsson
Executive Vice President
Business Areas

Born 1961. M. Sc. Engineering. President and CEO of Volvo Buses 2003–2011.

President of Volvo Logistics 2000–2003. Member of the Group Executive Team since 2003. With Volvo since 1986. **Holdings in Volvo, own and related parties:** 49,095 shares, including 47,521 Series B shares.



Martin Weissburg
Executive Vice President
Volvo Financial Services

Born 1962. Bachelor of Science, Master of Business Administration. Head of

Volvo Financial Services since 2010. President of Volvo Financial Services the Americas 2005–2010. Member of the Group Executive Team 2010–2011 and since 2013. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 14,675 Series B shares.



Anders Osberg
CFO and Executive Vice
President Corporate
Finance & Control

Born 1961. Bachelor of Science. Has held various positions within Volvo Group Finance and Volvo Treasury, most recently as President of Volvo Treasury Group 2000–2011. Member of the Group Executive Team since 2012. With Volvo 1985–1988 and since 1992. **Holdings in Volvo, own and related parties:** 18,950 Series B shares.



Eva Persson
Executive Vice President
Corporate Legal & Compliance and General Counsel

Born 1953. Master of Laws.

Responsible within the Group for legal matters and General Counsel of the Volvo Group since 1997. Vice President, Head of Corporate Legal of AB Volvo 1993–1997. Member of the Group Executive Team since 1997. With Volvo since 1988. Secretary to the Volvo Board since 1997. **Board member:** Handelsbanken Region Väst and Norsk Hydro ASA. **Holdings in Volvo, own and related parties:** 64,468 shares, including 62,909 Series B shares.



Kerstin Renard
Executive Vice President
Corporate Human Resources

Born 1961. B. Sc. Sociology. Senior Vice President

Human Resources for the Volvo Group 2007–2011. Prior to that Senior Vice President Human Resources & Communication at Volvo Powertrain 2005–2006. Member of the Group Executive Team since 2012. With Volvo since 2005. **Holdings in Volvo, own and related parties:** 13,607 shares, including 13,447 Series B shares.



Karin Falk
Executive Vice President
Corporate Strategy

Born 1965. B. Sc. Business Administration. Has held various positions within the

Volvo Group, most recently as President of Volvo Group NAP (Non-Automotive Purchasing) 2008–2011. Member of the Group Executive Team since 2012. With Volvo 1988–1999 and since 2008. **Holdings in Volvo, own and related parties:** 7,304 shares, including 5,064 Series B shares.



Mårten Wikforss
Executive Vice President
Corporate Communication

Born 1964. Journalism degree, Bachelor of Arts, Master of Science. Responsible

within the Volvo Group for Corporate Communication since July 1, 2012. Prior to that he was Senior Vice President Media Relations & Corporate News. Member of the Group Executive Team since July 1, 2012. With Volvo since 2001. **Holdings in Volvo, own and related parties:** 20,288 shares, including 10,523 Series B shares.



Jan-Eric Sundgren
Executive Vice President
Public & Environmental Affairs

Born 1951. M. Sc. Engineering, PhD in solid state Physics, Professor in materials science. Responsible

within the Volvo Group for public & environmental affairs since 2006. Member of the Group Executive Team since 2006. With Volvo since 2006. **Chairman:** SP Technical Research Institute of Sweden. **Board member:** Hogia AB. Member of the Royal Swedish Academy of Engineering Sciences. **Holdings in Volvo, own and related parties:** 32,872 shares, including 32,729 Series B shares.



Magnus Carlander
Executive Vice President
Corporate Process & IT

Born 1955. Master Mechanical Engineering. Has held various senior positions in

the Volvo Group, most recently as President of Volvo IT 2008–2011. Member of the Group Executive Team since 2012. With Volvo since 1985. **Holdings in Volvo, own and related parties:** 53,105 shares, including 52,962 Series B shares.

the Group Executive Team were entitled to variable salary according to a program for variable remuneration determined by the Board. The performance targets defined in the program were primarily related to operating margin and operating rolling cash flow.

The purpose of the program for variable remuneration is to create an incentive for the executives to strive for the Volvo Group developing in such a manner that the defined performance targets are achieved, thereby constituting a management tool. Accordingly, the performance targets set by the Board for variable remuneration inter alia relate to the Group's financial targets for improved operating margin.

The Remuneration Committee conducts an annual evaluation of the remuneration policy and Volvo's system for variable remuneration to execu-

tives and the Board prepares a special report of this evaluation and the conclusions. The report on the evaluation for 2012 will be available on Volvo's website not later than two weeks prior to the Annual General Meeting 2013, www.volvogroup.com. For more information about remuneration to the Group Executive Team and an account of outstanding share and share-price related incentive programs to the management, refer to Note 27 in the Group's notes in the Annual Report.

Changes to the Group Executive Team

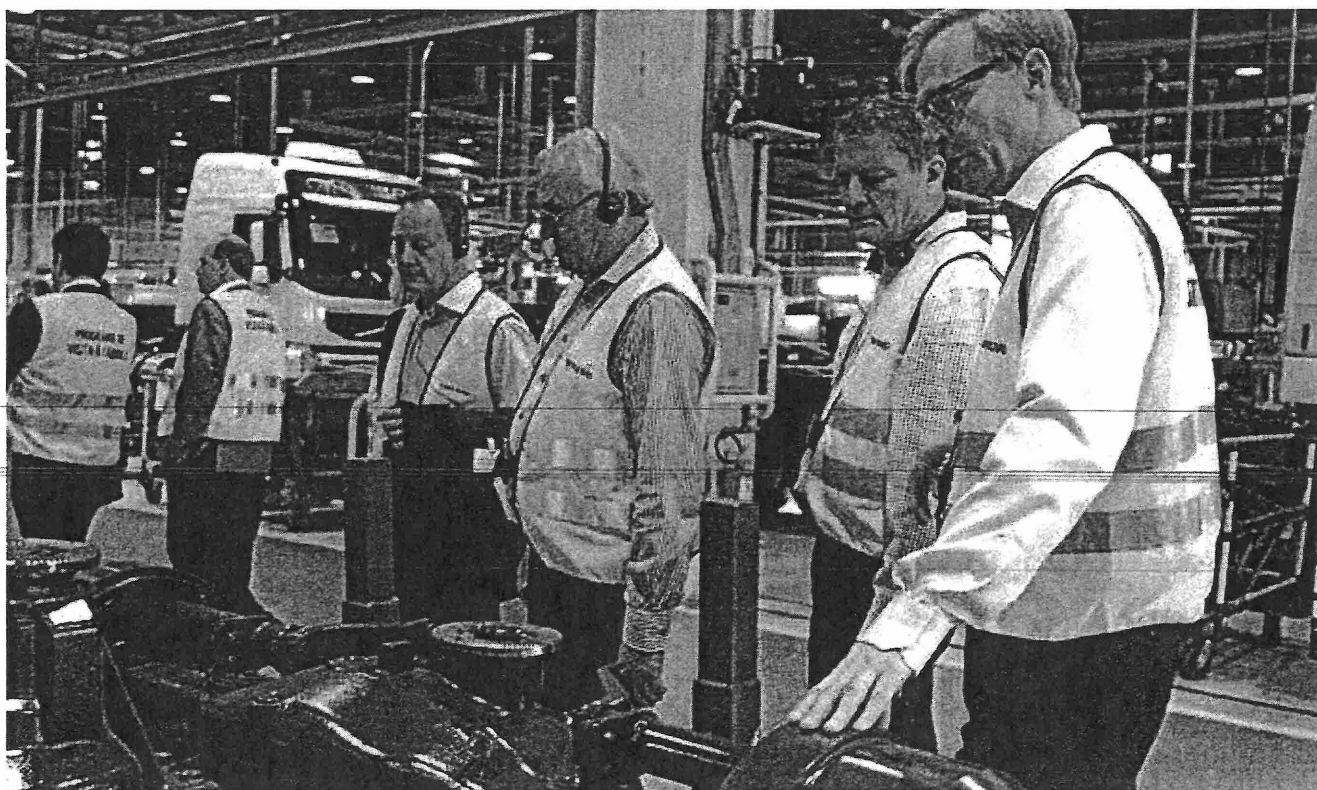
On July 1, 2012, Per Löjdquist retired and thereby resigned from the Group Executive Team and from his position as Executive Vice President Corporate Communication. Märten Wikforss assumed the position on the same date.

On September 30, 2012, Pär Östberg resig-

ned from the Group Executive Team and from his position as Executive Vice President Truck Joint Ventures. In conjunction with Pär Östberg's departure from the Volvo Group, Truck Joint Ventures organizationally became part of Group Trucks Sales & Marketing and JVs APAC, headed by Joachim Rosenberg.

On January 1, 2013, the Head of Volvo Financial Services, Martin Weissburg, joined the Group Executive Team. On January 1, 2013, Martin Weissburg thereby assumed the position as Executive Vice President Volvo Financial Services.

On April 1, 2013, Eva Persson will retire and resign from the Group Executive Team and from her position as General Counsel and Executive Vice President Corporate Legal & Compliance. Sofia Frändberg will assume this position on the same date.



Internal control over financial reporting

The Board is responsible for the internal controls according to the Swedish Companies Act and the Code. The purpose of this report is to provide shareholders and other interested parties with an understanding of how internal control is organized at Volvo with regard to financial reporting. The description has been designed in accordance with the Swedish Annual Accounts Act and is thus limited to internal control over financial reporting.

Introduction

Volvo primarily applies internal control principles introduced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO principles consist of five interrelated components. These are: control environment, risk assessment, control activities, information and communication and follow-up.

Volvo has a specific function for internal control. The objective of the Internal Control function is to provide support for management groups within business areas and Group Functions, allowing them to continuously provide solid and improved internal controls relating to financial reporting. Work that is conducted through this function is primarily based on a methodology that aims to ensure compliance with directives and policies, and to create effective conditions for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the results of the work performed by the Internal Control function within Volvo with regard to risks, control activities and follow-up on the financial reporting.

Volvo also has an Corporate Audit function with the primary task of independently monitoring that companies in the Group follow the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The head of the Corporate Audit function reports directly to the CEO, and to the Group's General Counsel and the Board's Audit Committee.

Control environment

Fundamental to Volvo's control environment is the business culture that is established within the Group and in which managers and employees operate. Volvo works actively on communications and training regarding the company's basic values as described in The Volvo Way, an internal document concerning Volvo's business culture, and the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is based on the Group's directives, policies and instructions, as well as the responsibility and authority structure that has been adapted to the Group's organization to create and maintain a satisfactory control environment. The principles for internal controls and directives and policies for the financial reporting are contained in Volvo Financial Policies & Procedures (FPP), an internal document comprising all important instructions, rules and principles.

Risk assessment

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee inter alia through identifying what types of risks that typically could be considered as material and where they would typically occur. The annual evaluation of internal control activities conducted by the Internal Control and Corporate Audit functions, is based on a risk-based model. The evaluation of the risk that errors will appear in the financial reporting is based on a number of criteria. Complex accounting principles can, for example, mean the financial reporting risks being inaccurate for those posts that are covered by such principles. Valuation of a particular asset or liability according to various evaluation criteria can also constitute a risk. The same is true for complex and/or changing business circumstances.

Control activities

In addition to the Board of AB Volvo and its Audit Committee, the management groups and other decision-making bodies in the business areas, Group Functions and Group companies constitute overall supervisory bodies.

Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Control activities range from review of outcome results in management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Responsibility for ensuring that control activities in the financial processes are appropriate and in accordance with the Group's policies and instructions are compiled in the Group's financial reporting function. The Group's shared service center is responsible for the performance of control activities including the responsibility for ensuring that authority structures are designed in accordance with good internal control so that one person cannot perform an activity and then perform the control of the same activity. Control activities within IT security and maintenance are a key part of Volvo's internal control over financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from management to all affected employees. The Group's financial reporting function has direct operating responsibility for the daily financial reporting and works to ensure a uniform application of the Group's policies, principles and instructions for the financial reporting and to